BERS

TIER 1

Board of Education
Retirement System
of the City of New York

Summary Plan Description

BOARD OF EDUCATION RETIREMENT SYSTEM
OF
THE CITY OF NEW YORK
65 COURT STREET
BROOKLYN, NEW YORK 11201

TIER 1 SUMMARY PLAN DESCRIPTION

October 2004

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Dear Tier 1 Member:

Well-informed, proper planning for your retirement and future financial security is so very important. Therefore, at the Board of Education Retirement System, we are eager that you fully understand your retirement plan, and will clarify many features of your particular plan and benefits in this book.

Now, a bit of general background: the Board of Education Retirement System of the City of New York (BERS) was founded in 1921 to provide a retirement system to New York City Department of Education employees other than those eligible to join the New York City Teachers' Retirement System.

The Board of Education Retirement System's structure, procedures, and benefits are determined by administrative rules and regulations, and by law. BERS itself is governed by a Board of Trustees that includes representatives both of the employees and of the employer.

BERS' assets have grown to more than $1.9 billion. Every year, the Chief Actuary of the City of New York appraises these assets to reconfirm their value and assesses BERS' liabilities and obligations so as to secure payment of benefits. Also every year, an independent auditor examines BERS to insure that the System continues to operate soundly. And as required by law, both an independent certified public accountant and the New York State Insurance Department study BERS' operations frequently. Thus, BERS' functions and transactions are regularly subject to extensive, rigorous scrutiny – to protect you and your benefits.

BERS is run by a committed staff known for their dedication to the members. And although we believe this book will address many of the questions you may have about retirement, we urge you nevertheless to visit the Retirement Office to discuss further questions with one of our representatives.

We trust this book will be of great help to you and your loved ones.

Sincerely,

C. Bailey

Christine Bailey
Executive Director

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INTRODUCTION

This Summary Plan Description book (SPD) outlines features and benefits provided by the Board of Education Retirement System of the City of New York (BERS) under its Tier 1 Plan. Loan programs, retirement, disability, and death benefits (and more) are summarized in this book.

Through a careful read of this SPD and with an understanding of its contents, you can take utmost advantage of these benefits and, so, better plan for your future. Please take a look at the Glossary of key terms and acronyms as well, since some of the information herein tends to be complex, requiring the use of technical, financial, legal, or administrative language. It is also a wise idea to keep this book in a safe place, readily available for future reference.

You should keep in mind that this is only a summary plan description, so if you have further questions, contact the BERS Retirement Office located in Room 1603, at 65 Court Street, Brooklyn, New York 11201, (718) 935-5400 or (800) 843-5575 (outside of New York State). One of our representatives will be pleased to help you.

Please be aware that, should there be any discrepancy between this summary and any applicable laws, rules and regulations (which could change), the applicable laws, rules and regulations will govern. Retirement benefits are also subject to certain maximum limitations under Section 415 of the Internal Revenue Code, as well as to periodic Cost-of-Living Adjustments (COLA).

Also know it is the policy of the Board of Education Retirement System not to discriminate on the basis of race, color, creed, religion, national origin, age, disability, marital status, sexual orientation, or gender in its benefit programs, activities, and employment policies, as required by law.

GLOSSARY

active service
(when applied to BERS membership status)
service rendered while on the payroll of the Department of Education or that of another covered employer, or rendered as a transferred contributor; active service can include being on a noncontributory leave of absence.

actuarial/actuary
mathematical and statistical calculations, especially calculations that pertain to annuity and benefits payments, using risk factors such as life expectancy and other demographic data; an actuary is one who performs such calculations.

annuity
a sum of money (variable or fixed) paid out yearly or at other regular intervals.

ARF
Annuity Reserve Fund, to which the Annuity Savings Fund is transferred at retirement or death before retirement.

ASF
Annuity Savings Fund is the account in which employee contributions accumulate and earn interest.

Board of Education of the City of New York
currently named the New York City Department of Education.

beneficiary
the person or entity named to receive moneys after a member's death.

CCR
Certified Contribution Rate, the rate at which regular employee contributions are computed then deducted from wages.

COLA
Cost-of-Living-Adjustments made to Social Security payments, pension payments, and more; based on the cost-of-living index's gauge of prices of services used and goods bought by the standard consumer.

GLOSSARY

collateral
an asset (such as an ASF account) pledged by the borrower to the lender until a loan is repaid.

compound interest
interest paid on both the principal and the accrued interest (that is, interest on interest), and to be calculated at regular intervals.

covered employer/covered employment
in addition to the New York City Department of Education, employment with the New York City School Construction Authority and the Office of the Special Commissioner of Investigation, and employment as a School Crossing Guard employed by the New York City Police Department.

creditable service/credited service
employment that can count toward retirement credit and allowance; employment that counts toward retirement credit and allowance.

default
failure to make scheduled payments, as required, of principal or interest.

deferred retirement
with 20 years of Qualifying Service, retirement benefits payable at a later date.

deficit
an insufficient balance or a shortage in an account (such as an ASF account).

Department of Education of the City of New York
formerly called the New York City Board of Education.

discontinued member
a member not in active service (but not retired).

distribution
any withdrawal of moneys from a pension plan or tax-deferred retirement account.

GLOSSARY

earnable salary
earnable salary means regular annual wages without including any additional compensation, such as overtime pay.

earned salary
earned salary means actual wages earned.

effective date of retirement
the actual date on which one's retirement becomes operative and begins.

EFT
the deposit of a payment directly into a bank account through Electronic Funds Transfer (commonly known as "direct deposit").

FAS
Final Average Salary is either earnable salary during the last year prior to retirement, or the average of earnable salary during any three calendar years. Of the wages used in FAS calculation, no year's earnable salary can exceed 120% of the preceding year for those whose Tier 1 membership start dates fall on or after 6/17/71; for those whose membership start dates fall before 6/17/71, such 120% cap does not apply.

FICA
Federal Insurance Contributions Act requires employers to withhold from wages and make payments to, or requires taxpayers to make payments to, a government fund that is to provide Social Security (such as retirement, disability, family, and survivor benefits) and Medicare (health benefits for those 65 or older as well as certain others; not to be confused with Medicaid).

final compensation
the greater average of earnable salary either during the five-year period immediately preceding retirement, or during any consecutive five-year period chosen by the member.

GLOSSARY

The Fixed Income Fund
the investment fund that guarantees investment earnings at a fixed interest rate of return.

insurance premium
a fee paid for contractual insurance protection.

ITHP Fund
Increased-Take-Home-Pay Fund is an account in which contributions, made on the member's behalf by the employer, accumulate and earn interest.

ITHP Reserve Fund
the fund to which the ITHP Fund is transferred at retirement or death before retirement.

liquidate
settle, clear, or eliminate (such as a debt or loan).

Minimum Required Amount
a component key to calculation of Plan A benefits, and an amount necessary to receive unreduced benefits under Plan A.

New York City education service
(when applied to BERS membership eligibility and conditions only)
the Department of Education, the School Construction Authority, and the Office of the Special Commissioner of Investigation.

New York City or State public employee retirement systems
retirement plans for employees in New York public service; such as New York City Employees' Retirement System (NYCERS), Teachers' Retirement System of the City of New York (TRS), New York State and Local Employees' Retirement System (NYSLERS).

New York Clearing House
an association of banks that exchange checks, electronic funds transfers, and the like, from one member bank to another.

GLOSSARY

New York public service
employment with the State of New York, or with any county, city, town, village, school district, special district, or public authority within the State; or with the City of New York, including the Department of Education or other covered employer.

payable
those moneys which can or must be paid to someone (such as benefits).

prorate
assess, divide, and distribute.

QPP
Qualified Pension Plan; the term "qualified" therein indicates adherence to requirements mandated by the Internal Revenue Code.

rescind
take back, withdraw, cancel (such as an application).

retirement allowance
the actual moneyed benefit payable to the retiree.

retroactive
calculated into the past (such as payments and contributions).

RSSL
Retirement and Social Security Law refers to the New York State legislation governing retirement of certain public employees, and old age and survivor insurance coverage.

service rendered
creditable employment engaged in, work performed.

service retirement
normal retirement (as opposed to disability or other) after the length of service and at the age specified by the particular retirement program.

GLOSSARY

TDA
Tax-Deferred Annuity, authorized by Section 403(b) of the Internal Revenue Code, is a retirement savings program wherein tax-deferred deposits and tax-deferred interest thereon accumulate.

1099-R
statement sent to taxpayers and to the Internal Revenue Service by the payers of distributions (such as from pensions, annuities, or retirement plans).

tier reinstatement
restoration of membership rights of an original BERS membership that had ceased, or the rights of an original membership (that had also ceased) in another New York City or State public employee retirement system.

transferred contributor
a member who, despite change of employment to a job ineligible for membership in her or his original system, remains a contributing member of said system.

25-Year Required Amount
term used as synonym for the Minimum Required Amount; although the Minimum Required Amount does not always mandate 25 years.

The Variable Annuity Fund
though seeking escalating growth through diversified and managed investments, this fund does not guarantee earnings nor an assured rate of return, since its returns hinge on the fluctuations of its investments' value.

vesting
acquiring the right to receive the benefits specified by a retirement system's particular retirement program after having carried out a fixed duration of employment and membership in said retirement system. (Vesting only exists under Tier 1's Plan B.)

WHO IS A TIER 1 MEMBER

If you joined BERS on or before June 30, 1973, you are covered under the Tier 1 Plan. Or, if you obtained the rights and status of Tier 1 membership under the provisos of "tier reinstatement" or "tier reversion," you too are covered under the Tier 1 Plan. Then, under Tier 1, you are covered either under "Plan A – The Career Pension Plan," or under "Plan B – The Increased Service Fraction Plan."

Please see the chapter "Service Retirement And Benefits: The Basics" for detailed descriptions of both Plan A and Plan B.

About Tier Reinstatement To Tier 1

Due to legislation enacted in 1999, commonly referred to as "tier reinstatement," BERS members might regain the membership rights of their original BERS membership that had ceased, or the rights of an original membership (that had also ceased) in another New York City or State public employee retirement system. This means that if you once were a Tier 1 member (in BERS or in another New York public retirement system), and if you in fact apply for, qualify for, then choose tier reinstatement, you would go back to the Tier 1 status of your earlier membership. The official start date of your BERS membership would then change back to the date on which your earlier membership began.

Although your original Tier 1 status and membership start date are indeed restored, when reinstated to Tier 1 you *must again choose between* either Plan A or Plan B. That is, it does not matter by which plan – whether A or B – you were covered during your earlier Tier 1 membership.

But, if you had received a refund of any contributions under your past membership, you must pay the refund back, plus 5% compound interest from the date of refund. This repayment – *in full* – is required *before* your reinstatement becomes effective.

On the other hand, if you purchased previous service credit while you were a Tier 3 or 4 member of BERS (*not* another system), and the service you purchased was rendered before July 27, 1976, then you can ask for one of the following when you reinstate to Tier 1: you can either request a refund of the cost of the previous service credit you purchased (though a refund might affect credit for such service); or you can request that the amount of that cost be deposited into your Annuity Savings Fund (ASF). (The Annuity Savings Fund is defined in the chapters "Who Pays For Your Benefits," and "Service Retirement And Benefits: The Basics.")

So provided that your original payment for the prior service in question was made to BERS and *not* to another New York public retirement system, you can deposit its cost into your ASF; or you can seek the refund, with 5% compound interest. Be aware that there may be tax consequences, or a reduction in your retirement benefits, or both, associated with such a refund.

If, however, you purchased previous service credit while you were a Tier 2 member of BERS (again, *not* another system), and the service you purchased was rendered before July 27, 1976, then you cannot request a refund of its cost, the amount of which is *automatically* deposited into your Annuity Savings Fund. Its service credit, meanwhile, is applied to your total service credit.

And if you were a participant in the 25 Year Early Retirement Program (55/25) while a Tier 2, 3, or 4 member of BERS (once again, *not* another system) and you paid any additional member contributions on all or on a part of the prior service credit you may have purchased, then the amount of those additional member contributions is also *automatically* deposited into your Annuity Savings Fund.

So, determine the dates of your former membership and also the circumstances under which it ended. Why the latter? Because, in order to qualify for tier reinstatement, your former New York public retirement system membership must have come to an end for one of the following reasons: you had insufficient service credit when you left the position that accorded you such membership; you were not yet vested; you withdrew all of your contributions; or, you withdrew your membership. (If you were terminated for cause, however, your membership rights and retirement benefits may have been affected.)

Meanwhile, you should compare calculations of benefits under Tier 1 versus those under your present tier to better ascertain whether reinstatement to Tier 1 or remaining in your present tier is more advantageous.

Lastly, you can apply for tier reinstatement up until your retirement date.

About Tier Reversion To Tier 1

To have selected retroactive membership in Tier 1, commonly referred to as "tier reversion" – *not* to be confused with tier reinstatement – you must have submitted an application for same to BERS and made such selection within one of two window periods: one of which ended on July 31, 1993; the other ended on March 25, 1997. After these dates, the window periods for new tier reversions came to an end. You also had to purchase the service credit garnered via retroactive tier reversion.

Once your reversion to Tier 1 is in effect, the official start date of your BERS membership would change back to June 30, 1973 – that is, to the very last date on which Tier 1 was open to new members. Or your membership start date would change back to the start date of your position that is now eligible (and was not eligible before) for membership in BERS or another New York public retirement system, but only if that date can be confirmed.

How To Join Or Rejoin BERS

To become a member of BERS – whether joining for the first time or rejoining – you must complete, and then submit to BERS, both an Enrollment Application form, as well as a Designation of Beneficiary form.

When joining or rejoining, you ought to discuss with a BERS representative where you have worked in the past because your prior New York public employment just might be applicable toward retirement credit at BERS. So, before you consider any transaction involving retirement benefits or rights from a former job (withdrawal of contributions, for example), you should be well-informed as to the possible consequences.

You should also see if the tier reinstatement law (earlier described) applies to you. For if you once were a Tier 1 member and you join or rejoin BERS, the rights of your original BERS membership that had ceased, or the rights of an original membership (that had also ceased) in another New York City or State public employee retirement system might be reinstated.

So, determine the dates of your former membership, the circumstances under which it ended, whether you must repay refunded contributions, and so on. If you apply for, qualify for, then choose tier reinstatement having met its requirements, you would go back to the Tier 1 status of your past membership and choose anew between Plan A or Plan B.

Again, you should evaluate calculations of benefits under Tier 1 to better ascertain which is more advantageous: reinstatement to Tier 1 or remaining in the tier open to new enrollees.

Finally, please note well: <u>once your application for BERS membership is received by the retirement system, it is irrevocable; and you may not withdraw your membership so long as you remain in New York City education service.</u> This means that you can *not* reverse your decision to join BERS once that application arrives at the BERS Retirement Office so long as you stay employed in New York City education service.

Is BERS Membership Mandatory Or Voluntary

If you were (or are, upon joining or rejoining) appointed to a permanent position in the competitive or labor class of the civil service, then BERS membership is mandatory for you. If your job title falls within one of the other employment classes, then BERS membership is voluntary for you. (Non-competitive and exempt class employees, provisional positions, and substitute teachers are just some examples of positions for which BERS membership is voluntary.) When joining or rejoining, you should speak with your Personnel Manager or Timekeeper to clarify within which precise employment class your particular position falls so that you can determine whether BERS membership is required or optional for you.

If mandatory for you, your membership starts on your official date of appointment. If voluntary for you, your membership starts when your membership application is received by BERS. If in Tier 1 via tier reinstatement, your membership starts on the date on which your earlier Tier 1 membership began. And if in Tier 1 via tier reversion, your membership starts on June 30, 1973 (the last date on which Tier 1 was open to new members), or your membership starts on the date you began your position – a position that is now eligible (and was not eligible before) for membership in BERS or another New York public retirement system – provided that date can be confirmed.

Again, if joining or rejoining BERS, please note: once your application for membership is received by BERS, it is irrevocable; that is, you may not withdraw your membership so long as you stay employed in New York City education service.

Who Is Eligible For BERS Membership

Membership in BERS is open to all employees of the New York City Department of Education who are not eligible to participate in the New York City Teachers' Retirement System. In addition, employees of the New York City School Construction Authority, the Office of the Special Commissioner of Investigation, and School Crossing Guards employed by the New York City Police Department are eligible for BERS membership.

Naming A Beneficiary (Or Beneficiaries) When Joining Or Rejoining BERS

When enrolling, you have to complete the Designation of Beneficiary form, on which you must choose and identify your beneficiary or beneficiaries – clearly a very important decision – so that any death benefit due will be paid to your survivors according to your wishes. (These death benefits are described in the chapter "What If You Die Before Retirement.") You can name any persons you wish (such as a family member or a friend) or entities (such as a charity or another organization of meaning to you) as your beneficiaries.

You can change your selection of beneficiaries up until the time you retire by filing the appropriate form with the Retirement Office. Your semi-annual statement from BERS (which you should always look over most carefully) indicates your current beneficiary information – make sure it is what you intend.

Take note that you can assign separate beneficiaries for each of the following funds regarding pre-retirement death benefits:

- your Annuity Reserve Fund (ARF);
- your Increased-Take-Home-Pay (ITHP) Reserve Fund;
- the cash Ordinary Death Benefit itself;
- the Presumptive Death Benefit;
- any Tax-Deferred Annuity Program (TDA) contributions you may have made.

The funds just listed, and the benefits to which they pertain, are defined in the chapters "Who Pays For Your Benefits," "Service Retirement And Benefits: The Basics," "What If You Die Before Retirement," and "About The BERS Tax-Deferred Annuity Program."

And note that your Annuity *Savings Fund* and ITHP *Fund*, so named while you are an active member, then become your Annuity *Reserve Fund* and ITHP *Reserve Fund* when you retire or if you die before retirement. That is, these funds are transferred to *reserve* funds at the close of your active membership, due to either retirement or death.

Lastly, when you retire, you will have to select beneficiaries once more. This step is further explained in the chapters "How To File For Retirement Benefits" and "How Benefits Are Paid: The Choices."

BENEFICIARY SELECTIONS : WHEN AND FOR WHICH FUNDS

when you join or rejoin BERS you pick

- Annuity Savings Fund
- ITHP Fund
- Ordinary Death Benefit
- Presumptive Death Benefit
- TDA contributions

throughout membership you can change

when you retire you pick anew

- TDA if you converted to annuity
- your Pension
- Annuity Reserve Fund
- ITHP Reserve Fund

post-retirement under Option 1 and Option 4 you can change

- TDA provided NOT converted to annuity

post-retirement you can still change

WHO PAYS FOR YOUR BENEFITS

Tier 1 benefits are financed by both employee and employer contributions, and by the investment returns on those contributions. So, your Tier 1 Retirement Allowance is paid for by these three funds:

- the Pension Fund – yielding a fixed amount, based on your years of service and salary, and financed by employer contributions, plus their investment earnings, offset by employee contributions; and
- your Annuity Savings Fund (ASF) – *either* a variable amount *or* a fixed amount *or* 50% variable / 50% fixed, and financed by your employee contributions plus their investment earnings; and
- your Increased-Take-Home-Pay (ITHP) Fund – *either* a variable amount *or* a fixed amount *or* 50% variable / 50% fixed, and financed by employer contributions plus their investment earnings.

Whether your Annuity Savings Fund and ITHP Fund above comprise a variable or fixed amount or 50% of each depends on how you decide to invest your employee contributions and the ITHP-employer contributions. But you *must* invest *both* kinds of contributions – employee and ITHP-employer – in the same fashion. (Investment of employee and employer contributions is discussed further in the chapter "How Your Contributions Are Invested.")

(Again, your Annuity *Savings Fund* and ITHP *Fund*, so named during your active membership, are transferred to your Annuity *Reserve Fund* and ITHP *Reserve Fund* when you retire or if you die before retirement.)

Medicare and Social Security benefits to which you may be entitled are separate from, and in addition to, your BERS benefits.

About Employee Contributions To The Tier 1 Plan

All Tier 1 members are required to make regular contributions to BERS that are deducted from salary – that is, deducted from your annual wages as computed *without counting any additional compensation*, such as overtime. The rate at which these regular employee contributions are deducted is called your Certified Contribution Rate (CCR).

The amount of your CCR is determined by four factors: your age on your Tier 1 membership start date (or revised start date through tier reinstatement or reversion); your gender; which Tier 1 retirement plan you picked (either Plan A or Plan B); and whether or not you work in a physically taxing position if you are covered under Plan A.

This is important, historical in fact: despite the above factor of gender, two landmark United States Supreme Court cases and a subsequent BERS Board of Trustees resolution make certain that all employee contributions are equal, *regardless of your gender* (effective April 25, 1978), and that all pension benefits are *gender-neutral* as well (effective August 1, 1983). Excess employee contributions (plus interest thereon) made before that 1978 date were refunded. (Note that, rather than take a refund, many members chose to leave such excess contributions in their Annuity Savings Funds.) And deficiencies in benefits before that 1983 date were also paid.

Your accruing employee contributions plus their investment earnings comprise your Annuity Savings Fund (ASF) and are held in either your Fixed Income Fund, or your Variable Annuity Fund, or a combination of both, depending on how you decide to invest your contributions. (Again, investment of your contributions, as well as of those made on your behalf by your employer, is discussed further in the chapter "How Your Contributions Are Invested.")

Note that members in Plan A can *stop* making contributions after 25 years of Qualifying Service and withdraw all or a portion of their ASF that exceeds the Minimum Required Amount for Plan A retirement benefits. Again, please see the chapter "Service Retirement And Benefits: The Basics" in which Plan A's benefits are explained. And see the chapter "What Kind Of Service Counts And How" wherein Qualifying Service is defined.

Usually, your employee contributions are made to BERS through payroll deductions before federal taxes are taken out of your paycheck. This means that your employee contributions are currently not included as part of your gross income for federal tax purposes, but instead will be subject to federal taxes when your benefits are paid out in retirement, or if and when you receive a refund of these contributions.

Any employee contributions, however, that you made before March 1, 1993 *were* included as part of your gross income and, hence, *were* subject to federal taxes at that time. This means that the specific portion of your retirement benefits financed by those pre-March 1, 1993 contributions will *not* be taxed federally when paid out in retirement, *nor* would a refund of those specific contributions be so taxed.

Current New York City (if applicable) and State income taxes are imposed on your employee contributions all along. City and State taxes, in turn, are *neither* imposed on your retirement benefits, *nor* on any refund of your contributions, but *are* imposed on the interest on any such refund of contributions.

In addition to making employee contributions to BERS, you are of course required to pay Social Security and Medicare (FICA) taxes.

About ASF Waivers

FICA taxes embody *both* your Social Security taxes *and* Medicare taxes. Under Tier 1, however, you have an alternative: you can offset the Social Security portion of your FICA taxes by selecting what is called the "ASF Waiver." (The Medicare portion can not be offset.) With the ASF Waiver, you can *reduce your employee contributions* to BERS by up to 6.2%, the current amount of Social Security taxes. Thus, you *reduce* your payroll deductions and thereby *increase* your take-home pay.

If you choose the ASF Waiver, then your employee contributions are calculated as follows. If your CCR is *greater* than your Social Security taxes, then that difference becomes your contribution rate and is deposited into your ASF. But if your CCR is *less* than your Social Security taxes, then you make *no* contributions, that is, you pay nothing. Why? Because when these calculations produce a negative number, the end balance will be zero.

For example, Mr. Apple pays more in employee contributions to BERS than in taxes to Social Security, so his contribution rate is reduced by that balance when choosing an ASF waiver. Mrs. Bone, though, pays less in employee contributions to BERS than in taxes to Social Security; that balance is a negative number, consequently zero. So Mrs. Bone makes no contributions with an ASF waiver.

- ▶ Mr. Apple's CCR = 9.25% (*greater* than Social Security taxes), so 9.25% – 6.2% = 3.05% = Mr. Apple's contribution rate with an ASF Waiver;
- ▶ Mrs. Bone's CCR = 4.8% (*less* than Social Security taxes), so 4.8% – 6.2% = -1.4% (which is less than zero), hence 0% = Mrs. Bone's contribution rate with an ASF Waiver.

Now this is crucial, so please take serious note: if you opt for the ASF Waiver, while your take-home pay is increased, your retirement annuity may be reduced because this waiver may create a deficit in your Annuity Savings Fund. If you do not opt for such, while your take-home pay remains lower, your retirement annuity will be greater. You may want to consult a BERS representative, or an accountant or tax advisor to discuss which is to your advantage: to select or not to select an ASF Waiver.

Medicare and Social Security benefits to which you may be entitled (separate from, and in addition, to your BERS benefits), however, are *not* affected by your selection – or not – of the ASF Waiver.

So, you have four choices under Tier 1 as to whether or not you reduce your employee contributions (and, hence, reduce your payroll deductions). Together with the ASF Waiver, these choices include whether or not to waive the benefit called "Increased-Take-Home-Pay" (ITHP). Read on for details about ITHP in the very next section.

Here are your four choices and how they are indicated on your semi-annual BERS statement:

- ▶ you pay Social Security taxes *in full* – "A" FICA Election on your BERS statement; or
- ▶ you select ASF Waiver (so you *reduce your employee contributions* to BERS by 6.2%) – "C" FICA Election on your BERS statement; or
- ▶ you do *not* waive ITHP – "N" (as in "NO") ITHP Waiver on your BERS statement; or
- ▶ you *do* waive ITHP – "Y" (as in "YES") ITHP Waiver on your BERS statement.

Remember that, despite the label "FICA Election" regarding ASF Waivers on your BERS statement, the ASF Waiver *only* applies to the Social Security portion of your FICA taxes.

Lastly, you can change your selection, or lack thereof, of the ASF Waiver, as well as ITHP Waiver, at any time up until your retirement date. Again, read on for details about Increased-Take-Home-Pay (ITHP) in the section immediately to follow.

About Increased-Take-Home-Pay (ITHP)

Under Tier 1, you have an additional benefit called "Increased-Take-Home-Pay" (ITHP) contributions, a benefit that can reduce your employee contribution rate. These ITHP contributions, currently equal to 2% of your salary, are made on your behalf by your employer and are held in what is called your ITHP Fund. (Do remember your ITHP *Fund*, so named during your active membership, is transferred to your ITHP *Reserve Fund* when you retire or if you die before retirement.) ITHP contributions, plus their investment earnings, comprise a share of your Retirement Allowance.

You can choose whether or not to *waive* the ITHP reduction; and your choice of an ITHP Waiver, or lack thereof, is reflected on your semi-annual statement from BERS.

If you *do not waive* the ITHP reduction, you can *reduce your employee contributions* to BERS by 2% (thus *reduce* your payroll deductions), and thereby *increase* your actual take-home pay.

If you *do waive* ITHP (hence do *not* reduce your payroll deductions), your employer makes ITHP contributions (again, currently equal to 2% of your salary) nevertheless. These contributions, plus interest earnings thereon, are held in your ITHP Fund. So you still have an ITHP Fund, despite the choice of an ITHP Waiver.

This is crucial, so please take serious note: if you do *not* waive ITHP, while your take-home pay is *increased*, your retirement annuity will be *reduced*. But if you do waive ITHP, while your take-home pay remains lower, your retirement annuity will be greater. (See the chapter "Service Retirement And Benefits: The Basics" that explains the components of your retirement annuity. Also, Social Security offset via selection of ASF Waiver is not relevant to this particular ITHP equation.) You may want to consult a BERS representative, or an accountant or tax advisor to discuss which is to your advantage: to waive or not to waive ITHP.

Medicare and Social Security benefits to which you may be entitled (separate from, and in addition to, your BERS benefits), however, are *not* affected by your waiver, or lack thereof, of ITHP.

Again, you can change whether or not you waive ITHP up until your retirement date.

Lastly, delineated just below are all the permutations and combinations of choices available to you under Tier 1 regarding reducing – or not – your employee contributions (thus reducing your payroll deductions as well):

- you elect "A" FICA and you *waive* ITHP; or
- you elect "A" FICA and you do *not* waive ITHP; or
- you elect "C" FICA (that is, you select ASF Waiver) and you *waive* ITHP; or
- you elect "C" FICA (that is, you select ASF Waiver) and you do *not* waive ITHP.

The five tables to follow illustrate how selecting (or not) the ASF Waiver or ITHP Waiver affects the contribution rates, and resulting take-home pay, of five Tier 1 members.

Ms. X with CCR of 7.15% (ASF Waiver – NO / ITHP Waiver – YES)		
Employee Contributions NO Social Security Tax Offset	**Employee Contributions minus ITHP Reduction**	**Payroll Deduction (total CCR)**
7.15% – 0% = 7.15%	7.15% – 0% = 7.15%	7.15% of annual wages (Ms. X contributes in full)

Mr. Y with CCR of 8.7% (ASF Waiver – NO / ITHP Waiver – NO)		
Employee Contributions NO Social Security Tax Offset	**Employee Contributions minus ITHP Reduction**	**Reduced Payroll Deduction (reduced contribution rate)**
8.7% – 0% = 8.7%	8.7% – 2% = 6.7%	6.7% of annual wages

Mrs. Z with CCR of 9.85% (ASF Waiver – YES / ITHP Waiver – YES)		
Employee Contributions minus Social Security Taxes	**Employee Contributions minus ITHP Reduction**	**Reduced Payroll Deduction (reduced contribution rate)**
9.85% – 6.2% = 3.65%	3.65% – 0% = 3.65%	3.65% of annual wages

Note that while Ms. X contributes in full, Mr. Y, Mrs. Z, Miss K (who contributes nothing), and Dr. J (who also contributes nothing) have reduced their contribution rates (hence reducing their payroll deductions) and, so, may have created deficits in their Annuity Savings Funds and may have reduced their annuities as a result. (Again, see the chapter "Service Retirement And Benefits: The Basics" for more on Annuity Savings Fund deficits.)

Miss K with CCR of 5.15% (ASF Waiver – YES / ITHP Waiver – YES)		
Employee Contributions minus Social Security Taxes	**Employee Contributions minus ITHP Reduction**	**Reduced Payroll Deduction (reduced contribution rate)**
5.15% – 6.2% = -1.05% (negative 1.05% = less than 0)	0% – 0% = 0%	0% of annual wages (Miss K contributes nothing)

Dr. J with CCR of 8.05% (ASF Waiver – YES / ITHP Waiver – NO)		
Employee Contributions minus Social Security Taxes	**Employee Contributions minus ITHP Reduction**	**Reduced Payroll Deduction (reduced contribution rate)**
8.05% – 6.2% = 1.85%	1.85% – 2% = -.15% (negative .15% = less than 0)	0% of annual wages (Dr. J contributes nothing)

Again note that if these calculations produce a negative number, such as -1.05% for Miss K and -.15% for Dr. J above (and like that of Mrs. Bone earlier), the end balance will be zero contributions.

ITHP Contributions
Under Tier Reversion And Reinstatement

Under the provisions of tier reversion, ITHP contributions on your behalf are made in full, that is, retroactively to the official start date of your BERS membership. So, your ITHP contributions would be retroactive either to June 30, 1973 (the very last date on which Tier 1 was open to new members), or to the start date of your position that is now eligible (and was not eligible before) for membership in BERS or another New York public retirement system, but only if the latter date can be confirmed.

Under the provisions of tier reinstatement, ITHP contributions on your behalf are also retroactive to your original BERS membership date, and are made in full once your reinstatement to Tier 1 is in effect.

ITHP Contributions:
Investments, Withdrawals, Loans

Whether your ITHP Fund comprises a variable or fixed amount or 50% of each depends on how you decide to invest your employee contributions and the ITHP-employer contributions. But you *must* invest *both* kinds of contributions – employee and ITHP-employer – in the same fashion. (Investment of employee and employer contributions is discussed further in the chapter "How Your Contributions Are Invested.")

Also note that you can *neither* withdraw *nor* borrow against your ITHP contributions. Why? Because they are contributions made by your employer, and you cannot withdraw or borrow against employer contributions.

About Employer Contributions

The employer contributions – plus the earnings on their investments – fund much of the cost of BERS retirement benefits. It is the Office of the Actuary that calculates and determines how much the employer should put into BERS.

Your employer also pays FICA taxes on your behalf in an amount equal to your own employee FICA taxes, whether or not you offset the Social Security portion thereof with an ASF Waiver.

Again, whether or not you waive ITHP, your employer makes a contribution currently equal to 2% of your annual wages toward your ITHP Fund.

Keeping Track Of Your Contributions

Your semi-annual statement from BERS reports your CCR, your *actual* contribution rate, your ASF accumulations and interest earnings thereon, your selection of ASF Waiver or lack thereof, your ITHP Fund accumulations and interest earnings thereon, your selection of ITHP Waiver or lack thereof, your investment approach regarding your ASF and ITHP Fund – variable or fixed or 50% of each (not to mention TDA activity and investment selections therewith, your choice of beneficiaries, and more).

HOW YOUR CONTRIBUTIONS ARE INVESTED

Under Tier 1, you are allowed to decide how to invest *both* your employee contributions in your ASF *and* the ITHP contributions made on your behalf by your employer. You can invest these contributions *either* in the Fixed Income Fund only, *or* in the Variable Annuity Fund only. *Or* you can divide your employee contributions in half and the ITHP-employer contributions in half, then invest the 50% of each set of contributions in *both* the Fixed Income Fund *and* the Variable Annuity Fund (that is, divide contributions between the two funds).

But you *must* invest *both* kinds of contributions – employee and ITHP-employer – in the same fashion (whether variable, fixed, or 50% of each).

Although the fixed pension portion of your retirement allowance provides its foundation, and although a long-term investment strategy governs both investment approaches open to you, these investment decisions are, nonetheless, very important. So, before you make these choices, you should consider your ultimate financial goals most carefully, since these investment decisions may affect the amount of your final retirement allowance.

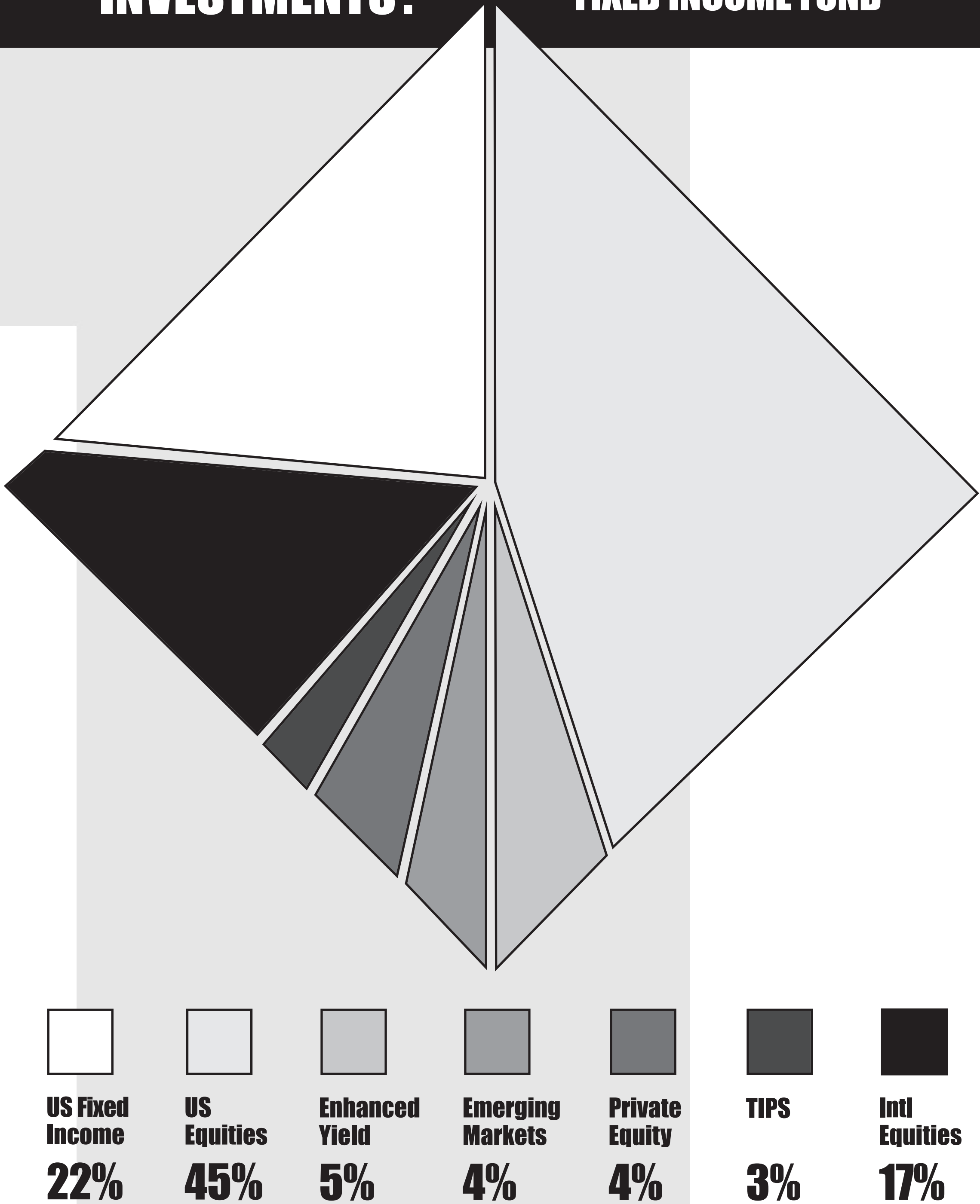
Further, the above investment decisions affect *neither* any contributions you may make to the Tax-Deferred Annuity Program (TDA), *nor* any investment thereof in their respective fixed or variable funds.

The Fixed Income Fund

The Fixed Income Fund is made up of diversified investments, predominantly domestic and international stocks, bonds and other like fixed income securities. This fund guarantees investment earnings at a fixed interest rate every year. (This rate of interest may change by legislation.) The current fixed interest rate, as of this printing, is set at 8.25%.

Please take a look at the facing page for further illustration of investment strategy and asset allocation within the Fixed Income Fund.

INVESTMENTS : FIXED INCOME FUND



The Variable Annuity Fund

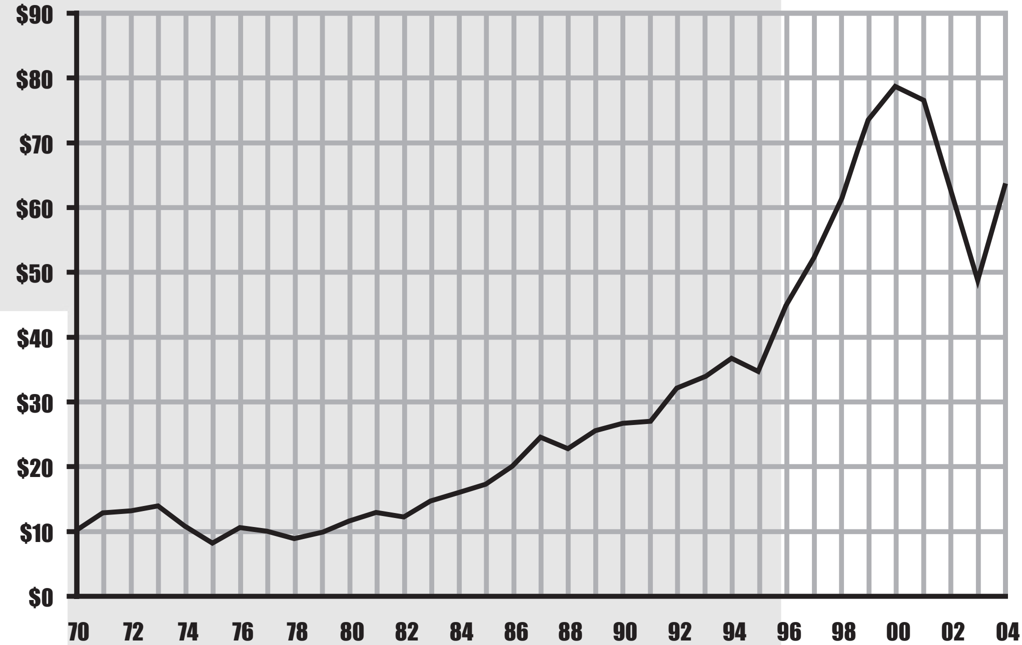
The Variable Annuity Fund is made up of diversified investments, predominantly domestic and international stocks. Although this fund seeks continued and escalating growth, it does *not* guarantee investment earnings *nor* an assured rate of return, as its fluctuations hinge on the fluctuations of its investments' value.

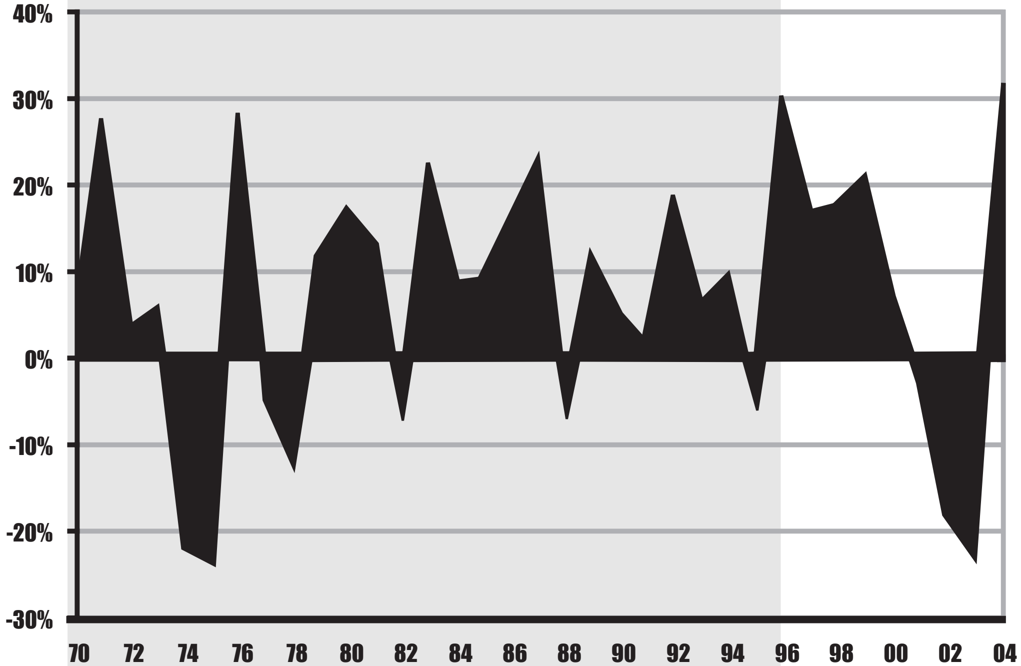
Your contributions, when invested in the Variable Annuity Fund, purchase shares of monetary value that are called "units." The monthly "unit value" (that is, the purchase cost and value of the unit) reflects the investments' performance and, therefore, varies every month. The unit value, as of this printing, currently averages approximately $63; whereas the unit value equaled $10 when first launched in July of 1970.

Please take a look at the graphs on the facing page for more on unit variability. The upper graph depicts ongoing dips and peaks of the units in dollars – that is, in terms of their monetary value. The lower graph shows unit flux in percentages – that is, overall proportional dips or growth from year to year, but *not* in terms of monetary value.

Also know that the actual number of units increases every month, in an amount equal to 4% per year as of this printing. Such augmentation in number of units (commonly called "unit explosion") is *not* interest per se, yet represents a return on Variable Annuity Fund investments – but returns in the form of *additional units* versus the value of each unit. (So 10 units equivalent to $100 in 1972 now equal 34.34 units, equivalent to $2,100.)

THE MARCH OF TIME : VARIABLE UNITS





Changing Your Choice Of Investment Fund

You are allowed to convert the investment of your *past* contributions that have accrued from the Fixed Income Fund to the Variable Annuity Fund, or vice versa (or 50% of each, if you took that approach). You are only permitted to make such a switch, however, *every two years*. But it takes four years to fully complete such conversion, which would become effective on the forthcoming first of January (provided you applied for such at least 30 days before that date).

You are allowed to change the investment of your *future* contributions from the Fixed Income Fund to the Variable Annuity Fund, or vice versa (or 50% of each, if your approach). Again, however, you are only permitted to make such a switch, *every two years.* Such conversion would become effective on the forthcoming first of January (provided you applied for such at least 30 days before that date).

Finally, conversion of the investment of your past or future contributions, does *not* affect the investment of any TDA contributions, whether invested in the TDA fixed or variable fund.

WHAT KIND OF SERVICE COUNTS AND HOW

Credited Service is employment that counts toward your retirement allowance and includes the following:

- Membership Service
- Previous Service
- Qualifying Service
- Non-Qualifying Service
- Transferred Service
- Part-time Service
- Military Service
- Additional Service Credit

Membership Service is the service rendered (that is, work performed) after you joined BERS. It can include all service while you were on the payroll in a position that either required you to join BERS or allowed you to join BERS. Membership service includes paid leave of absence, paid sick leave, paid annual leave, retroactive service under the provisions of tier reversion, and service from an earlier BERS membership (that ceased) under the provisions of tier reinstatement.

Previous Service is service rendered prior to the date you became a member of BERS – whether you were employed by the Department of Education, by the City of New York, by the State of New York or any New York State political subdivisions, or by another covered employer. You must purchase such previous service to get credit for it at BERS, and you must be eligible to do so. Eligibility and cost are both explained in the chapter "How You Buy Back Previous Service."

Previous service, under the provisions of tier reinstatement, also includes service credited to you during your membership (that ceased) in another New York City or State public employee retirement system. In other words, reinstated service, *if rendered in another system versus BERS*, is deemed previous service under the law. You do not purchase reinstated service, but you must repay any contributions that were refunded to you. Eligibility for, and cost of tier reinstatement are explained in the first chapter, "Who Is A Tier 1 Member."

Qualifying Service is membership service (including that garnered via tier reversion or reinstatement), previous service (that you purchased if you joined BERS *on or before June 30, 1968*), and transferred service. Qualifying Service counts toward the number of years required for retirement eligibility under Plan A and is also included as a factor in the calculation of Plan A retirement benefits.

So, reinstated service, if from BERS versus another system, comprises Qualifying Service.

Non-Qualifying Service is previous service that you purchased if you joined BERS *on or after July 1, 1968*. Non-Qualifying Service does *not* count toward the number of years required for retirement eligibility under Plan A. Non-Qualifying Service *does* count, however, toward retirement benefits under Plan A once you have 25 or more years of credited service. And also, Non-Qualifying Service – that is, *all of it* – counts toward retirement benefits under Plan B without the restrictions under Plan A.

Reinstated service, if from another system versus BERS, comprises Non-Qualifying Service as well.

Transferred Service is service accrued for which you received credit while you were a member of another public retirement system in the City or State of New York. You must first join BERS, then transfer this service to BERS to get credit for it at BERS. After such service is transferred, it becomes membership service with BERS.

You should consult with your former retirement system and with BERS concerning any restrictions on transferred service. See the chapter "Transferring To BERS From Another System" for more.

Part-time Service (past or present) is service rendered while you were employed by the Department of Education or by another covered employer. BERS will prorate credit for past or present part-time service on the basis of one year's worth of service credit if you worked any of the following schedules:

(a) you worked 1827 hours during the calendar year; or

(b) you worked 1470 hours during the calendar year in a non-teaching job whose duties are regularly scheduled to be performed only during the school year; or

(c) you worked 180 days as a substitute teacher.

So, if any of (a) through (c) above applies to you and your job, BERS will prorate credit toward your retirement for your part-time service.

Be aware that, regardless of the number of hours or days you may have worked, you can not receive more than one year's worth of credit in any calendar year. So even if you were to have worked *more* than 1827 hours during a calendar year (as in work schedule (a) above), you would nonetheless receive only one year's worth of service credit for that year. Further, the maximum number of hours that will be credited as part-time service is 35 hours in any weekly pay period, and 70 hours in any biweekly pay period.

To apply work schedule (a) once more: also realize that should you happen to only work 914 hours a year, for example, it would take *two years* for you to complete one year's worth of credited service.

Because part-time employees did not become eligible to join BERS (or any other New York City public retirement system, for that matter) until a change in law in 1988, part-time service did not qualify toward retirement credit before then. Since Tier 1 was already closed to new membership by 1988, the circumstances surrounding part-time service – whether or not it is creditable and if so, how – are not so straightforward. The following fact-based tales should clarify how part-time service may qualify for credit under Tier 1.

Mr. Reuben, an inspector trainee with the Division of Pupil Transportation, joined BERS in 1970. In 1979 he began a secondary career as a disc jockey; clearly unable to juggle a deejay's late nights plus a full-time day job, he switched his position to part-time. Part-timers were not allowed membership then, so he withdrew his contributions and his BERS membership came to an end.

By 2002, Mr. Reuben – growing aggravated with his hectic schedule, and perhaps outgrowing the club scene at age 52 – got a new, full-time job as an inspector for the School Construction Authority. He rejoined BERS as a Tier 4 member in 57/ 5; swiftly reinstated to Tier 1, having repaid his refunded contributions with interest in full; and is now in the process of buying back all of his previous service – that is, for his part-time work between 1979 and 2002.

His purchased, prior part-time service from 1979 to 2002 will prove Non-Qualifying Service at BERS because he first joined BERS after July 1, 1968. His reinstated service from 1970 to 1979 – since from BERS, not another system – proves membership service and Qualifying Service as well.

Ms. Li, meanwhile, a budding novelist as well as an accountant, began work at the Department of Education in 1969, but on a part-time basis, affording her time to pursue her dream. She was unable to join BERS as a part-timer then.

Unfortunately, although her debut novel was indeed published and met with much critical acclaim, it neither sold well nor was optioned. But fortunately (with no advance on her second book forthcoming), she kept her part-time position as an accountant and was able to opt for retroactive membership in Tier 1 via tier reversion in 1993. Ms. Li continues to write prolifically and remains a Tier 1 member, her part-time service – past and present – eligible for retirement credit as Qualifying Service under the provisions of tier reversion.

Military Service (whether or not a member or employee at the time of military service), as defined by Retirement and Social Security Law's Chapter 548 of 2000, is active duty that may be eligible for retirement credit, even if you served in active duty prior to your covered employment or your retirement system membership, and even if you were not a resident of New York State then. But said active duty must have been served in one of the armed forces of the United States within the following periods of conflict:

- World War II (12/7/41 – 12/31/46);
- Korean War (6/27/50 – 1/31/55);
- Vietnam War (2/28/61 – 5/7/75);
- service, as evidenced by an Expeditionary Medal, in hostilities in Lebanon (6/1/83 – 12/1/87), Grenada (10/23/83 – 11/21/83), Panama (12/20/89 – 1/31/90);
- service in hostilities in the theater of operations including Iraq, Kuwait, Saudi Arabia, Bahrain, Qatar, United Arab Emirates, Oman, the Gulf of Aden, the Gulf of Oman, the Persian Gulf, the Red Sea, and the air space above these locations (8/2/90 until the end of such hostilities).

If honorably discharged, you can apply for and purchase a maximum of three years of service credit for up to three years of military duty. *All or part* of your active duty had to have been served within the times outlined above. This means that, even if you only served one day during any of the above periods of conflict, you can nonetheless apply for up to three years of military service credit. For example, if your military duty began on January 31, 1955 – the last day of the Korean War – the rest of your military duty, capped at a maximum of three years, would still be applicable as well.

Under Chapter 548 of 2000, you must have at least five years of credited service to be eligible to purchase credit for such military service. And its cost is this:

3% of your salary during the 12 months
before you apply for military service credit

multiplied by

the number of years or months
for which you are purchasing military service credit.

Be aware, however, that if you already got credit for specific military service under the provisos of previous legislation, then you can not seek or purchase credit for the same military service under the conditions of Chapter 548 of 2000. This means that the very same military duty can not be counted toward retirement credit twice.

And note that the payments for military credit are considered *employer contributions* and will, consequently, *not* be deposited with the rest of your employee contributions. As always, you may borrow, withdraw, or receive a refund of only that portion credited as *employee* contributions (plus interest thereon). Therefore, you may not borrow or withdraw your payments for military credit.

You can receive a refund of your payments for military credit (with interest) *only* under the following circumstances: at retirement, your purchased military credit does *not* produce a retirement allowance greater than the benefit that would be paid had you not purchased the military credit at all. And if you die before retirement, but your purchased military credit does not produce a death benefit greater than the benefit that would be paid had you not purchased the military credit, then the payments for your military credit (with interest) will be refunded to your beneficiaries.

Military Service Credit (while a member or employee), also active duty in the United States armed forces that may be eligible for purchase toward retirement credit, is governed by other law as well (that is, in addition to Chapter 548 of 2000 just discussed), namely New York State Military Law and the Federal Veterans Reemployment Rights Act (VRRA). Under both the State and federal laws you had to be engaged in covered employment; be granted a leave of absence to serve in active duty; actually serve in same and be honorably discharged therefrom; apply to return to your covered position; then, usually, pay the contributions that you would have been making during your military leave. And under State law you must have already been a member of the retirement system prior to military service, whereas under VRRA you did not. In any case, computations also vary under these laws and differ from those outlined regarding Chapter 548 of 2000, so contact BERS for details as to cost of military credit under New York State Military Law and VRRA.

Regardless of which law governs your military service purchase – since you can pick whichever law provides you the best benefit – you can apply for and purchase military service credit at any time before your retirement. And you can make these payments either through payroll deductions or in a lump sum.

Additional Service Credit is a benefit enhancement enacted through legislation in 2000 that grants you up to a maximum of two years' worth of credit via one month of additional service credit for each year of credited service accrued up until one of these qualifying events: retirement, vesting, transfer, or death. And you receive the actual credit for this additional service when one of those events occurs (again, such as at retirement, and so on).

This additional service counts toward retirement credit, including Qualifying Service under Plan A. Again note that you can only receive *up to a maximum of two years* of this additional service.

Also note this additional service credit applies *only* to Tier 1 members who were in continued and uninterrupted active service on and from June 1, 2000, until October 1, 2000.

Active service (when applied to credit accrued via above Additional Service Credit) is defined thusly: service while being paid on the payroll; leave of absence with pay; approved leave without pay; and any period of time between school terms for teachers or other members employed on a school-year basis, and between regularly scheduled periods of paid service in the City University of New York (CUNY).

SERVICE RETIREMENT AND BENEFITS: THE BASICS

The requirements, computation of benefits, and other provisions under Plan A – The Career Pension Plan differ from those under Plan B – The Increased Service Fraction Plan. At the start of your Tier 1 membership, you pick between Plan A and Plan B; and then you can switch between the two. You are allowed to switch between Plans A and B twice: once after June 28, 1995; then, once within the 30-day period before retirement.

Plan A – The Career Pension Plan

A component key to the computation of Plan A benefits is called the Minimum Required Amount, which, at 25 years of Qualifying Service, is calculated thusly:

your CCR x your salary each year
plus
compound interest thereon.

At retirement, these sums are added together, and that total comprises the Minimum Required Amount (which may not, in fact, equal the amount in your account).

And so, Plan A provides a retirement allowance consisting of these: a pension based on a percentage of your Final Average Salary (FAS) multiplied by the number of years of credited service you have accrued, offset by an annuity based on the Minimum Required Amount; plus an annuity based on your employee contributions – that is, your Annuity Savings Fund (including interest); plus an ITHP pension based on your ITHP Fund (including interest).

Finally note that the percentages of your FAS used to compute benefits under Plan A differ from those under Plan B, as do other eligibility criteria (which are more stringent regarding the full Plan A).

When You Are Eligible To Retire Under Plan A

If you have at least 25 years of Qualifying Service, you have reached age 55 (or age 50 with 25 years of Qualifying Service in a physically taxing position), and you have contributed the Minimum Required Amount to your ASF, then you are eligible to receive full service retirement benefits under Plan A.

If you have not contributed the Minimum Required Amount, a deficit in your ASF will result. But, you can make a *voluntary lump sum* contribution to your ASF to pay off its deficit. This lump sum is to be equivalent to the additional amount that would be in your ASF had you made employee contributions based on your total "Earnable Salary" without any reductions to your contribution rate – reductions due to choosing the ASF Waiver, for example. (Read on for an explanation of Earnable Salary in the section "Amount Of Plan A Benefits And How They Are Computed.")

You can *only* make this voluntary contribution *once*, *immediately prior to your effective retirement date* and, again, *only* in a lump sum.

Further, the moneys in your TDA account can be used for such a lump sum payment toward a deficit in your ASF.

Finally, there is an exception to the criteria for the full Plan A's retirement eligibility delineated above. You can retire under Plan A with *less* than 25 years of Qualifying Service and *without* having contributed the Minimum Required Amount to your ASF (hence a deficit therein), *but with a consequent reduction* to your retirement allowance. (This exception is not to be confused with Plan A's Deferred Retirement, which will be described next.)

Deferred Retirement Under Plan A

If you have at least 20 years of Qualifying Service, then you are eligible for a Deferred Retirement under Plan A.

Your deferred retirement payments begin at *the later* of the following two events: *either* once you arrive at the date on which you *would have had* 25 years of Qualifying Service, *or* once you reach age 55 (or age 50 in a physically taxing position) – again, *whichever happens later*.

Do note that you are considered officially retired on the effective start date of your deferred retirement period. Although you are no longer an active member then, your Annuity Savings Fund and ITHP Fund, so named during your active membership, are not transferred to your Annuity Reserve Fund and ITHP Reserve Fund at this point. (Such is the case under Tier 1's other programs.) Instead, this transfer takes place at the end of your deferred retirement period, when your retirement payments begin.

And while you do not receive payments during the deferred retirement period, your beneficiaries indeed remain covered by the Presumptive Death Benefit, calculated according to the terms of Option 1 (Return of Reserve), during this time should you die before first payment of your retirement allowance has been made. (See the "Options" section within the chapter "How Benefits Are Paid: The Choices," as well as the chapter "What If You Die Before Retirement" for more on this death benefit and Option 1.)

You are also covered by health insurance benefits from the City of New York *for up to five years* during the deferred retirement period (that is, while you are not yet receiving retirement payments).

Lastly, just like standard Plan A, the Plan A Deferred Retirement grants benefits consisting of these: a pension based on a percentage of your Final Average Salary (FAS) multiplied by the number of years of credited service you have accrued; an annuity based on your Annuity Savings Fund (plus interest); and an ITHP pension based on your ITHP Fund (plus interest).

(Remember, your Annuity Savings Fund and ITHP Fund, so named during your active membership, are transferred to your Annuity Reserve Fund and ITHP Reserve Fund when your deferred retirement payments begin.)

No Vesting Under Plan A

Vesting means acquiring the right to receive benefits, whether or not deferred, after having carried out a fixed duration of employment and membership in the retirement system. There is *no* vesting under Plan A, however. In other words, you are not vested with the additional right to receive Plan A retirement benefits (deferred or not) without meeting the eligibility requirements previously discussed.

In order to be vested under Tier 1, you must be in Plan B or switch from Plan A to Plan B. And in order to make this switch, you must file the relevant forms at BERS, while you are *in active service*.

As a Plan B member, you are automatically vested in Plan B if you have at least five years of credited service, whether Qualifying or Non-Qualifying – again, provided you are in or switch to Plan B, having completed and submitted the proper forms to BERS while in active service.

When You Can Stop Making Contributions And Withdraw Excess Contributions Under Plan A

If you have 25 years or more of Qualifying Service, then you *can stop making contributions* to your ASF. Note that if you stop making these contributions, then you may not end up with the Minimum Required Amount in your ASF account.

But, with 25 years or more of Qualifying Service, if the balance in your ASF *surpasses* the Minimum Required Amount, you *can also withdraw* all or a portion of the excess contributions in your ASF. You can apply for withdrawal of excess contributions once each year.

You may want to consult with a tax advisor, however, because there may be tax consequences associated with these withdrawals. Also note that such withdrawals will reduce the total amount of your retirement allowance.

Amount Of Plan A Benefits And How They Are Computed

To calculate how much the fixed FAS-based pension portion of your retirement allowance will be, a percentage of your Final Average Salary is multiplied by the number of years of credited service you have accrued, and offset by an annuity based on the Minimum Required Amount.

One of the following will constitute your FAS: either your Earnable Salary – that is, your regular annual wages without including overtime pay – during the last year prior to your retirement; or the average of your Earnable Salary – again, not including overtime pay – during *any* three calendar years. You pick which of these will constitute your FAS, whether it be your final year, or a three-year period. And, if you choose the latter, then you also pick *which* three years of your Earnable Salary are to be used toward the calculation of your FAS.

If you joined Tier 1 *on or after June 17, 1971* (or your BERS membership start date falls on or after that date via tier reinstatement or reversion), note the following: when computing your FAS, no year's Earnable Salary can exceed 120% of the preceding year. This means that, if the average of three years is used in your FAS calculation, the amount of income for each of those three years can not exceed the income for the immediately preceding year by more than 20%. And if your last year of Earnable Salary before retirement is used, then it can not be 20% greater than that of the year before.

If you joined Tier 1 *before June 17, 1971* (or your BERS membership start date falls on or before that date via tier reinstatement or reversion), however, then such 120% cap on Earnable Salary does not factor into the calculation of your FAS.

If you pick your final year as FAS, note that the period of time used to compute your FAS would be greater than the standard final year if either you worked on a basis other than full-time, or if you had absences without pay in the last year immediately preceding your retirement.

Then, the Office of the Actuary of the City of New York appraises the value (thus called the "actuarial value") of your ASF and ITHP Fund, considering factors such as your life expectancy. At retirement, your ASF and ITHP are transferred to your ARF and ITHP Reserve Fund, respectively. These funds' actuarial value constitute the ARF annuity and ITHP pension portions of your retirement allowance.

Just as with your ASF and ITHP Fund, you decide how to invest your ARF and ITHP Reserve Fund at retirement as well. (It is also possible to change your investment choice after retirement.) And again – whether variable, fixed, or 50% of each – you must invest *both* funds in the same fashion.

Plan A retirement benefits *at 25 years* of Qualifying Service are calculated as follows:

- if you have 25 years of Qualifying Service *and* have reached age 55 (or age 50 with 25 years of Qualifying Service in a physically taxing position); and
- you have contributed exactly the Minimum Required Amount to your ASF:

2.2% x final average salary x 25 years of Qualifying Service
offset by an annuity based on the Minimum Required Amount

plus

an ITHP pension based on the actuarial value
of your ITHP Reserve Fund (with interest)

plus

an annuity based on the actuarial value
of your ARF (with interest)

will then provide benefits equal to 55% of your FAS
at 25 years of Qualifying Service

Plan A *Deferred* retirement benefits are calculated and to be paid as follows:

- if you have at least 20 years of Qualifying Service; and
- you have contributed the Minimum Required Amount to your ASF; and
- you have *either* arrived at the date on which you *would have had* 25 years of Qualifying Service, *or* you have reached age 55 (or age 50 in a physically taxing position) – whichever of the latter two happens later:

2.2% x your final average salary x number years of Qualifying Service
offset by an annuity based on the Minimum Required Amount

plus

an ITHP pension based on the actuarial value
of your ITHP Reserve Fund (with interest)

plus

an annuity based on the actuarial value
of your ARF (with interest)

Plan A retirement benefits *with more than 25 years* of Qualifying Service are calculated as follows:

- if you have reached age 55 (or age 50 with 25 years of Qualifying Service in a physically taxing position); and
- you have contributed the Minimum Required Amount to your ASF:

2.2% x final average salary x the first 25 years of Qualifying Service
(that is, 55% of FAS at 25 years)
offset by an annuity based on the Minimum Required Amount

plus

1.2% x final average salary x years of additional Qualifying
or Non-Qualifying credited service *before* July 1, 1968

plus

1.7% x final average salary x years of additional Qualifying
or Non-Qualifying credited service *after* June 30, 1968

plus

an ITHP pension based on the actuarial value of your ITHP Reserve Fund
(with interest)

plus

an annuity based on the actuarial value of your ARF
(with interest)

The table to follow is merely an illustrative example of the amount of Tier 1 Plan A benefits that would be paid (no younger than at age 55 or age 50 in a physically taxing position) based on different numbers of years of service and, in some examples, based on service rendered *before* July 1, 1968, or *after* June 30, 1968.

And, the figures are based on the selection of a "Maximum Retirement Allowance" and calculated before any further reductions due to the selection of an "Option" (both of which will be explained in the chapter "How Benefits Are Paid: The Choices"), and are based on a final average salary of $35,000.

The table also presumes that you contributed exactly the Minimum Required Amount. (So, its computations include FAS-based figures offset by the Minimum Required Amount, as well as balances in the ASF and ITHP Fund as factors.)

Do note that if you did *not* contribute the Minimum Required Amount, your benefit will be less. But if your contributions *surpass* the Minimum Required Amount, then your benefit will be greater.

NUMBER OF YEARS OF SERVICE		% OF FAS	ANNUAL PLAN A BENEFIT
20	qualifying service deferred retirement	2.2% x 20 = 44%	$15,400
22	qualifying service deferred retirement	2.2% x 22 = 48.4%	$16,940
25	qualifying service	2.2% x 25 = 55%	$19,250
30 years total: 25	qualifying service	2.2% x 25 = 55%	$19,250
+		+	+
5	additional credited service post-6/30/68	1.7% x 5 = 8.5%	$2,975
		63.5%	$22,225
35 years total: 25	qualifying service	2.2% x 25 = 55%	$19,250
+		+	+
8	additional credited service post-6/30/68	1.7% x 8 = 13.6%	$4,760
+		+	+
2	additional credited service pre-7/1/68	1.2% x 2 = 2.4%	$840
		71%	$24,850

Above Plan A computations are: based on salary of $35,000; payable no younger than age 55 or age 50 in a physically taxing position; payable only if you contributed exactly the Minimum Required Amount; based on selection of Maximum Retirement Allowance versus an Option; and do NOT include any additional benefits from ITHP Reserve Fund or ARF that may surpass contribution of the Minimum Required Amount.

Plan B – The Increased Service Fraction Plan

Plan B grants a retirement allowance consisting of these three parts: a pension based on a percentage of your Final Average Salary (FAS) multiplied by the number of years of credited service you have accrued; an annuity based on the balance in your Annuity Reserve Fund (ARF) including interest earnings; and an ITHP pension based on the balance in your ITHP Reserve Fund including interest earnings.

(Remember, your Annuity Savings Fund and ITHP Fund, so named during your active membership, are transferred to your Annuity Reserve Fund and ITHP Reserve Fund when you retire.)

Again, the percentages of your FAS used to compute benefits under Plan B differ from those under Plan A, as do other eligibility criteria (which are less stringent under Plan B).

When You Are Vested Under Plan B

Provided you are in fact in Plan B, you are automatically vested if you have a minimum of five years of credited service. That is, provided you chose Plan B or switched to Plan B from Plan A, having completed and submitted the proper forms to BERS while in active service; and also provided you were an active member on or after July 17, 1998 when the legislation that created five-year vesting took effect. (The requirement used to be a minimum of 15 years.)

When You Are Eligible To Retire Under Plan B

If you have reached age 55, with at least five years of credited service, then you are eligible to receive service retirement benefits under Plan B. (Note that there are no provisions for retirement at age 50 in a physically taxing position under Plan B.)

Reducing Your Contributions By One Percent Under Plan B

Under Plan B you can choose to make your employee contributions at a rate that is one percent *less* than your CCR, hence reducing your payroll deductions by one percent. This provision is simply a feature of Plan B, and is neither related to the ASF Waiver, nor to ITHP. Although, do know that while your take-home pay is *increased* (by one percent, under this provision), your retirement annuity will be *reduced*.

You can change your selection, or lack thereof, of this one percent reduction at any time, up until your retirement date.

Amount Of Plan B Benefits And How They Are Computed

To calculate how much the fixed FAS-based pension portion of your retirement allowance will be, a percentage of your Final Average Salary is multiplied by the number of years of credited service you have accrued.

One of the following will constitute your FAS: either your Earnable Salary – that is, your regular annual wages without including overtime pay – during the last year prior to your retirement; or the average of your Earnable Salary – again, not including overtime pay – during *any* three calendar years. You pick which of these will constitute your FAS, whether it be your final year, or a three-year period. And, if you choose the latter, then you also pick *which* three years of your Earnable Salary are to be used toward the calculation of your FAS.

If you joined Tier 1 *on or after June 17, 1971* (or your BERS membership start date falls on or after that date via tier reinstatement or reversion), note the following: when computing your FAS, no year's Earnable Salary can exceed 120% of the preceding year. This means that, if the average of three years is used in your FAS calculation, the amount of income for each of those three years can not exceed the income for the immediately preceding year by more than 20%. And if your last year of Earnable Salary before retirement is used, then it can not be 20% greater than that of the year before.

If you joined Tier 1 *before June 17, 1971* (or your BERS membership start date falls on or before that date via tier reinstatement or reversion), however, then such 120% cap on Earnable Salary does not factor into the calculation of your FAS.

If you pick your final year as FAS, note that the period of time used to compute your FAS would be greater than the standard final year if either you worked on a basis other than full-time, or if you had absences without pay in the last year immediately preceding your retirement.

Then, the Office of the Actuary of the City of New York appraises the value (thus called the "actuarial value") of your ASF and ITHP Fund, considering factors such as your life expectancy. At retirement, your ASF and ITHP are transferred to your ARF and ITHP Reserve Fund, respectively. These funds' actuarial value constitute the ARF annuity and ITHP pension portions of your retirement allowance.

Just as with your ASF and ITHP Fund, you decide how to invest your ARF and ITHP Reserve Fund at retirement as well. (It is also possible to change your investment choice after retirement.) And again – whether variable, fixed, or 50% of each – you must invest *both* funds in the same fashion.

Plan B retirement benefits – at age 55, regardless of years of service – are calculated as follows:

1.2% x final average salary x years of credited service
before July 1, 1968

plus

1.53% x final average salary x years of credited service
after June 30, 1968

plus

an ITHP pension based on the actuarial value of your ITHP Reserve Fund
(with interest)

plus

an annuity based on the actuarial value of your ARF
(with interest)

The table to follow is merely an illustrative example of the amount of Tier 1 Plan B benefits that would be paid (no younger than at age 55) based on different numbers of years of service and, in some examples, based on service rendered *before* July 1, 1968, or *after* June 30, 1968.

The figures are also based on the selection of a "Maximum Retirement Allowance" and calculated before any further reductions due to the selection of an "Option" (both of which will be explained in the chapter "How Benefits Are Paid: The Choices"), and are based on a final average salary of $35,000.

This table does *not* include the Plan B benefits from your ITHP pension or your ARF annuity.

	NUMBER OF YEARS OF CREDITED SERVICE		% OF FAS	ANNUAL PLAN B BENEFIT
20 years total	20	service post-6/30/68	1.53% x 20 = 30.6%	$10,710
	+		+	+
	0	service pre-7/1/68	1.2% x 0 = 0%	$0
			30.6%	$10,710
22 years total	18	service post-6/30/68	1.53% x 18 = 27.54%	$9,639
	+		+	+
	4	service pre-7/1/68	1.2% x 4 = 4.8%	$1,680
			32.34%	$11,319
25 years total	20	service post-6/30/68	1.53% x 20 = 30.6%	$10,710
	+		+	+
	5	service pre-7/1/68	1.2% x 5 = 6%	$2,100
			36.6%	$12,810
30 years total	22	service post-6/30/68	1.53% x 22 = 33.66%	$11,781
	+		+	+
	8	service pre-7/1/68	1.2% x 8 = 9.6%	$3,360
			43.26%	$15,141

Above Plan B computations are: based on salary of $35,000; payable no younger than age 55; based on selection of Maximum Retirement Allowance versus an Option; and do NOT include any additional benefits from ITHP pension or ARF annuity.

HOW BENEFITS ARE PAID: THE CHOICES

When you apply for either service retirement or disability retirement, you must choose how you want your retirement allowance to be paid. It is at this point that you must select either the Maximum Retirement Allowance or an Option. This is truly a very, very important choice – and a choice that can *not* be changed later than 30 days after first payment of your retirement allowance has been made. Therefore, it is crucial that you read carefully and understand fully the explanations to follow while you consider your selection.

Maximum Retirement Allowance

If you do not select one of the options listed next, your benefits will be paid as a Maximum Retirement Allowance. With the Maximum Retirement Allowance you receive a monthly installment whose amount is greater than the amount of any other benefit option. However, the Maximum Retirement Allowance continues for the remainder of your lifetime only and, consequently, does not provide benefits for your survivors. This means that when you die, the benefits stop.

Options

Options, on the other hand, do provide retirement benefits for your survivors, as well as provide you benefits during your lifetime. When you file your retirement application and if you select an option, it is at this point that you pick a beneficiary (or beneficiaries) once again – whether you have changed your designation since joining BERS, or not.

In selecting an option, you agree to accept a reduced retirement allowance for the rest of your lifetime. The amount of the reduction depends on which option you select, and also can depend on your age and on your beneficiary's age. For example, with some of the options, the younger the beneficiary, the greater the reduction, as the payments are expected to extend over a longer period of time.

Option 1

Return Of Reserve: You receive a reduced monthly allowance for the rest of your life. On your retirement date, BERS sets aside the "reserve" to pay for your retirement allowance. This reserve, based on actuarial calculations, includes the annuities based on your ARF and ITHP Reserve Funds, as well as the pension portion of your retirement allowance. If you die before the total payments of your retirement allowance equal or exceed the total value of the reserve, then your beneficiary (or beneficiaries) receives the remaining balance of the reserve. This balance is paid to your beneficiary in either a lump sum or in monthly payments.

There are two versions of Option 1, derived from separate payment schedules: Option 1 Unmodified (1-U) and Option 1 Modified (1-M).

Option 1-U: With a shorter, faster payment schedule, you collect more in retirement allowance and the remaining reserve for your beneficiary will be less.

Option 1-M: With an extended, longer payment schedule, you collect less in retirement allowance and the remaining reserve for your beneficiary will be more.

With Option 1 (whether Unmodified or Modified), you can name one or more beneficiaries. You choose your beneficiaries when you file your retirement application, and you *can* change your choice of beneficiaries at any time – that is, even after first payment of your retirement allowance has been made.

If you do name more than one beneficiary, the benefits will be divided among them. The age of a beneficiary does not affect the reduction of benefits in the case of Option 1 because its benefits will constitute a finite amount upon your death.

And if your beneficiary dies before you do, you must designate another or the remainder of the reserve will be paid to your estate.

Option 2

100% Joint And Survivor: You receive a reduced monthly allowance for the rest of your life. Upon your death, your beneficiary will receive 100% of your reduced allowance for the rest of his or her life.

If, though, your beneficiary dies before you do, you continue to receive your reduced lifetime benefits, which do not change, and the benefits cease upon your death.

With Option 2 you can name only one beneficiary. You choose your beneficiary when you file your retirement application, and you can *not* change your choice of beneficiary later than 30 days after first payment of your retirement allowance has been made.

Option 3

50% Joint And Survivor: You receive a reduced monthly allowance for the rest of your life. Upon your death, your beneficiary will receive 50% of your reduced allowance for the rest of his or her life.

If, though, your beneficiary dies before you do, you continue to receive your reduced lifetime benefits, which do not change, and the benefits cease upon your death.

With Option 3 you can name only one beneficiary. You choose your beneficiary when you file your retirement application, and you can *not* change your choice of beneficiary later than 30 days after first payment of your retirement allowance has been made.

Option 4

Lump Sum: You receive a reduced monthly allowance for the rest of your life. Upon your death, your beneficiary (or beneficiaries) receives a lump sum payment. Your reduced monthly allowance and the lump sum for your beneficiary are figured like this: at retirement, your benefit is first calculated as a Maximum Retirement Allowance; next, you pick the lump sum that will go to your beneficiary – a sum qualified by the value of your maximum allowance, so not just any sum. The lump sum – that is, its present value per actuarial calculations – is then subtracted from the value of your maximum allowance, resulting in your reduced monthly allowance.

With Option 4, you can name one or more beneficiaries. You choose your beneficiaries when you file your retirement application, and you *can* change your choice of beneficiaries at any time – that is, even after first payment of your retirement allowance has been made.

If you do name more than one beneficiary, the benefits will be divided among them. The age of a beneficiary does not affect the reduction of benefits in the case of Option 4 because its benefits will constitute a finite amount upon your death.

And if your beneficiary dies before you do, you must designate another or the lump sum will be paid to your estate.

Options 4-2 And 4-3

"Pop-Up" Joint And Survivor: Options 4-2 and 4-3 diverge from Options 2 and 3, respectively. You receive a lifetime reduced monthly allowance and your beneficiary would receive either 100% or 50% of your reduced allowance. If your beneficiary predeceases you, though, then your benefit converts to a Maximum Retirement Allowance.

Option 4-2: You receive a reduced monthly allowance for the rest of your life. Upon your death, your beneficiary will receive 100% of your reduced allowance for the rest of his or her life.

If, though, your beneficiary dies before you do, your benefit "pops up" – that is, converts to a Maximum Retirement Allowance, which you receive for the remainder of your lifetime only – and the benefits cease upon your death.

With Option 4-2 you can name only one beneficiary. You choose your beneficiary when you file your retirement application, and you can *not* change your choice of beneficiary later than 30 days after first payment of your retirement allowance has been made.

Option 4-3: You receive a reduced monthly allowance for the rest of your life. Upon your death, your beneficiary will receive 50% of your reduced allowance for the rest of his or her life.

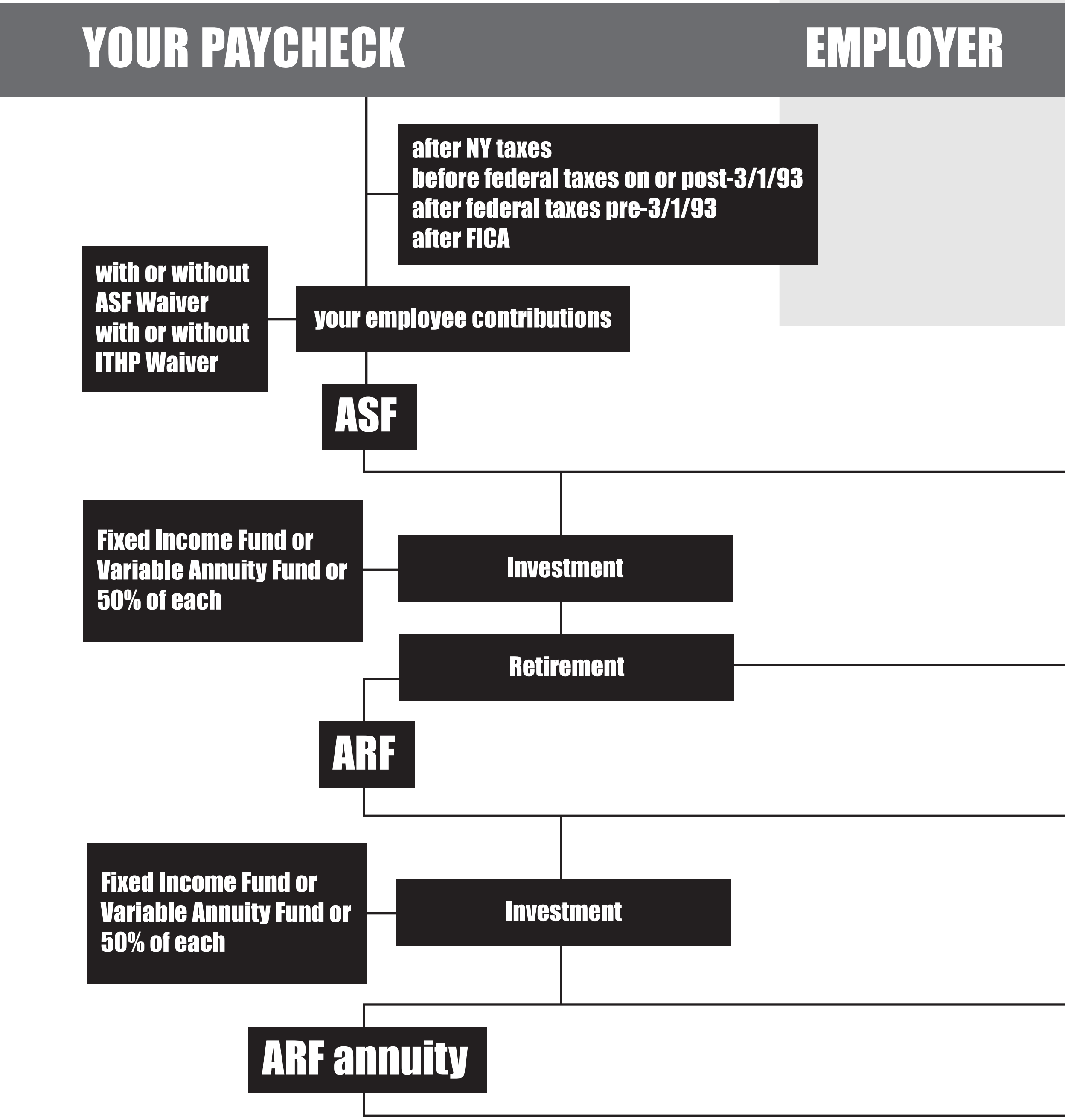
If, though, your beneficiary dies before you do, your benefit "pops up" – that is, converts to a Maximum Retirement Allowance, which you receive for the remainder of your lifetime only – and the benefits cease upon your death.

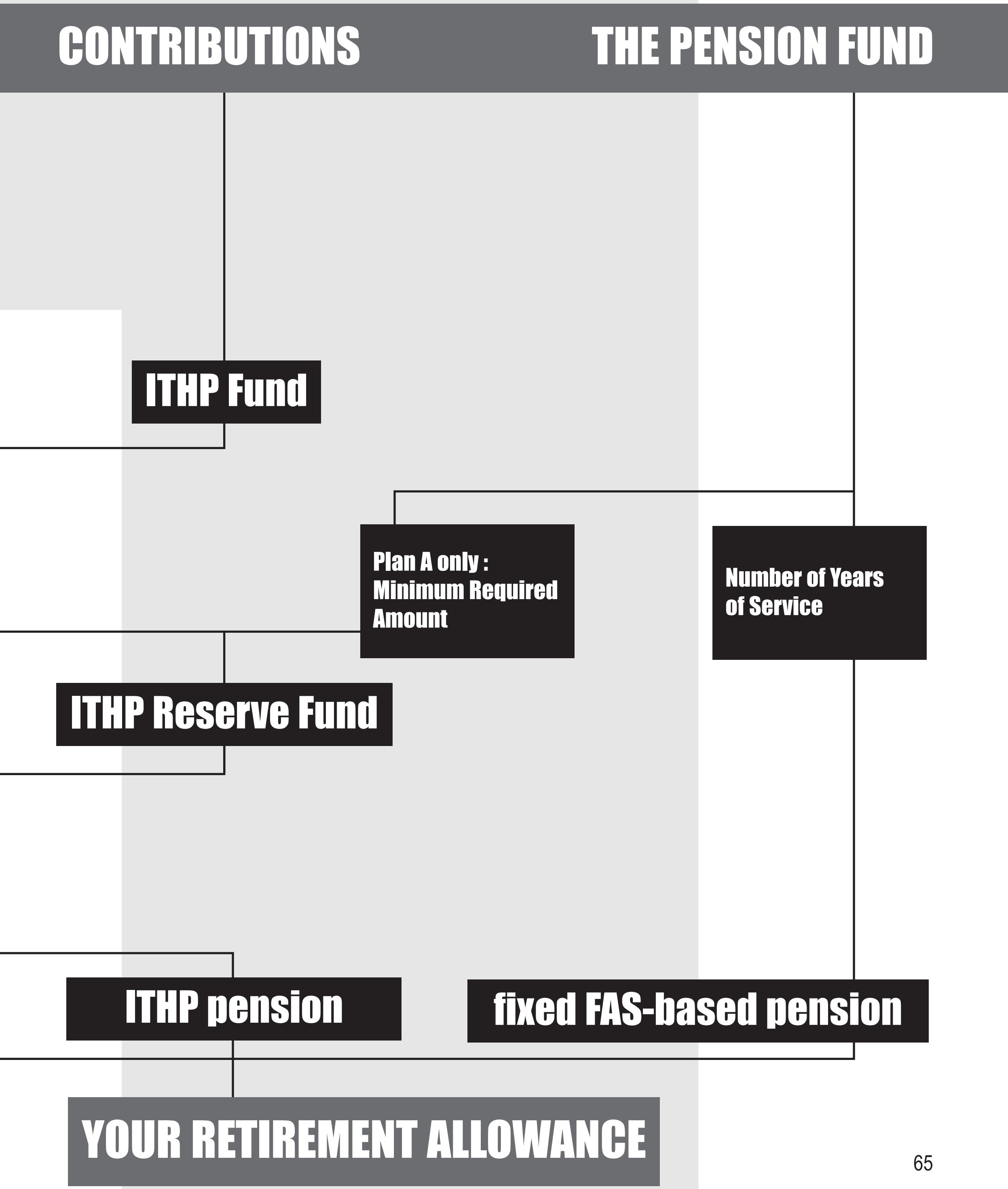
With Option 4-3 you can name only one beneficiary. You choose your beneficiary when you file your retirement application, and you can *not* change your choice of beneficiary later than 30 days after first payment of your retirement allowance has been made.

Note that, with Deferred Retirement under Plan A, you can change your choice of option and choice of beneficiary (or beneficiaries) throughout the deferred retirement period – namely, up until 30 days after the first payment of your retirement allowance is made; and you can change beneficiaries thereafter with Options 1 and 4.

Again, at 30 days after that first payment of your retirement allowance has been made, your choice of Maximum Retirement Allowance or Option is in force and can *not* be changed. If you pick Option 1 or 4, however, you *can* change your beneficiaries at any time.

FOLLOW THE MONEY




CONTRIBUTIONS
THE PENSION FUND
ITHP Fund
Plan A only :
Minimum Required
Amount
Number of Years
of Service
ITHP Reserve Fund
ITHP pension
fixed FAS-based pension
YOUR RETIREMENT ALLOWANCE

HOW YOU "BUY BACK" PREVIOUS SERVICE

If you want to receive credit for previous service, you must submit a completed Prior Service Application form to BERS; you must purchase such previous service to get credit for it at BERS and you must be eligible to do so.

Who Is Eligible To Buy Back Previous Service

You are eligible to purchase credit for previous service if any of the following applies to you:

- ▶ your previous service qualifies for retirement credit and was service you performed at the Department of Education, or another agency of the City of New York, before you joined or rejoined BERS; or
- ▶ your previous service *now* qualifies for retirement credit – whereas it did not qualify before – because you were in a job that did not allow you to join a public employee retirement system of the City of New York at that time (for example, part-timers and "hourlies" first became eligible to join in 1988 due to a change in law), or you were in a job that did not allow you to join BERS itself (as was the case for "provisionals" who first became eligible to join BERS in 1986 due to a change in law).

So, even if you have a break in covered employment and you do not join BERS before that break in service, then you reenter the service of a covered employer, you are eligible to buy back credit for prior service.

Breaking Down Previous Service: Qualifying Or Non-Qualifying

The circumstances under which Tier 1 members buy back prior service can vary greatly, perhaps with particular regard to whether such service proves Qualifying or Non-Qualifying. So, in brief:

- if you joined BERS *on or before June 30, 1968*, your purchased prior service would be Qualifying;
- if you joined BERS *on or after July 1, 1968*, your purchased prior service would be Non-Qualifying.

Though not to be confused with buying back previous service, the circumstances under which Tier 1 members garner credit from reinstated service can also vary greatly. So, as to whether such service proves Qualifying or Non-Qualifying:

- if you reinstated to Tier 1 and your reinstated service was *rendered in BERS*, it would be Qualifying;
- if you reinstated to Tier 1 and your reinstated service was *rendered in another New York public retirement system versus BERS*, it would be Non-Qualifying.

How Much It Costs To Buy Back Previous Service

BERS calculates the cost of purchasing credit for your previous service, then gives you the option of making the required payment in either a lump sum or through payroll deductions. As of this printing, these payroll deductions are made after New York City (if applicable), New York State, and federal taxes are taken out of your paycheck.

The cost of purchasing prior service is calculated as follows:

your salary at the time you apply to buy back prior service

x

your CCR

x

the number of years, months, days of prior service that you purchase.

Take note: if you choose to pay for your previous service in a lump sum, you can apply assets in your TDA, or certain other pre-tax accounts, toward payment of this lump sum.

REMAINING IN BERS AS A TRANSFERRED CONTRIBUTOR

If you change jobs and take another position with the City of New York (such as with another city agency entirely), and your new job does not entitle you to BERS membership, you can still remain in BERS as a transferred contributor provided that the following apply to you:

- you start the other position within 60 days of the resignation date from your current job; and
- you do *not* withdraw your employee contributions from your Annuity Savings Fund (ASF) at BERS; and
- you do *not* become a member of another retirement system.

As a transferred contributor, you continue to make contributions toward your retirement allowance through payroll deductions and, hence, you continue to accrue BERS benefits.

But take note: you will *not* be eligible to make contributions to the Tax-Deferred Annuity Program (TDA) at BERS unless you remain in education service.

Your status as a transferred contributor becomes effective as soon as you complete and submit the proper forms to BERS. These forms include a Transferred Contributor Waiver that is *irrevocable* – this means that you can not reverse your decision to stay in BERS unless mandated to do so.

TRANSFERRING YOUR BERS MEMBERSHIP TO ANOTHER SYSTEM

If you change jobs and take another position with the City or State of New York, and your new job entitles you to membership in another public employee retirement system, you can transfer your BERS membership to that system.

You are eligible to transfer your membership to another such system provided that you do the following:

- you resign your position with the Department of Education (or other covered employer); and
- you do *not* withdraw your employee contributions from your ASF at BERS; and
- you apply to transfer your membership service credit and your contributions within five years of your resignation date. (If you are vested in Plan B when you resign, this five-year rule does not apply.)

To make such a transfer, you must do the following:

- you first enroll in the new retirement system; and
- you then submit the proper forms to *both* your new retirement system as well as to BERS within five years of leaving your current job (unless you are already vested in Plan B, in which case this five-year rule does not apply).

Before you make a decision to transfer your membership, it is important that you discuss your particular situation with representatives of both retirement systems. Why? Because your rights and benefits under the new system may not be the same as they are under BERS.

Finally, there is yet another possible scenario with regard to transfer of BERS membership – this one *after* retirement. See the section within the chapter "What If You Return To Work After Service Retirement" for an explanation of post-retirement transfer from BERS to the New York State And Local Employees' Retirement System (NYSLERS).

TRANSFERRING TO BERS FROM ANOTHER SYSTEM

If you change jobs and your new job entitles you to membership in BERS, and you are a member of another New York City or State public employee retirement system, you can transfer your present membership to BERS.

Transferred service equals membership service so, if your membership with the other system is in effect and you do transfer to BERS, you would maintain your present membership rights once the transfer is complete.

The case of Barbie Sanchez provides an interesting example on this very matter.

> Although her position with the City of New York was provisional, Barbie Sanchez was able to join NYCERS in 1967 as a Tier 1 member, for NYCERS allowed "provisionals" membership then, while BERS did not until 1986. She changed jobs, having been permanently appointed by the Department of Education in 1985; Barbie then decided to transfer to BERS from NYCERS. Even though "provisionals" were not allowed BERS membership during that era, Barbie's transferred NYCERS service from 1967 to 1985 becomes membership, and Qualifying, service at BERS.

Do note that when joining and upon transfer to Tier 1 in BERS, you must pick between Plan A and Plan B anew, designate new beneficiaries, as well as decide how to invest your employee and ITHP-employer contributions (100% fixed, 100% variable, or 50% of each).

You should discuss your particular situation with representatives of both BERS and your current retirement system. And if you decide to transfer to BERS, you should do so under the advisement of a BERS representative so as to properly execute such a transfer.

WHAT IF YOUR EMPLOYMENT ENDS BEFORE RETIREMENT

What Happens to Your Membership And Contributions If You Are Vested

There is no vesting in Plan A, as already discussed. But if you have a minimum of five years of credited service – *again, in Plan B only* – you are vested. So if you are a Plan B member, or you officially switch from Plan A to Plan B (having completed and submitted the proper forms to BERS), then you are automatically vested in Tier 1's Plan B with a minimum of five years of credited service. (The requirement used to be a minimum of 15 years.)

If your employment ends, and you have at least five years of credited service and you are vested in Plan B, then you choose one of the following alternatives:

either

- ▶ you leave your contributions in your ASF and maintain your right to receive a retirement allowance at age 55 – a retirement allowance to be calculated as a Plan B benefit, and for which you must be a Plan B member, or for which you must officially switch from Plan A to B before your employment ends;

or

- ▶ you apply for and receive a refund of your employee contributions (including earnings thereon) in your ASF, consequently ending your BERS membership, as well as ending your right to receive a retirement allowance at age 55.

Now take serious note: if you choose the first alternative above, but have less than 10 years of credited service, and you die before age 55, your beneficiaries receive *only* the amount in your ASF plus its earnings. But with 10 years of credited service, and in Plan B, your beneficiaries can receive a death benefit for discontinued, vested Plan B members. (Please see the chapter "What If You Die Before Retirement.")

And if you choose the latter alternative above, note that there may be tax consequences associated with a refund of contributions.

What Happens to Your Membership And Contributions If You Are Not Vested

If your employment ends and you have *less than five years* of credited service (hence are *not* vested), or you have more than 5 years but you are in Plan A (in which there is no vesting), then you choose one of the following alternatives:

either

- you leave your contributions in your ASF and the contributions will continue to accrue earnings per your investment choices for up to five years, *at which point these earnings will cease and your BERS membership will end* (as will your membership rights), and then you must apply for and receive a refund of these contributions;

or

- you apply for and receive a refund of your employee contributions (including earnings thereon) in your ASF, consequently ending your BERS membership (as well as your membership rights).

A refund of your employee contributions (including earnings thereon) in your ASF is not automatic, however. Therefore, you must apply to receive a refund of such. There may be tax consequences associated with a refund of contributions.

Termination Without Fault And Layoffs

Other specific rules apply if you are laid off or terminated "without fault or delinquency." *It is crucial* that you contact BERS *immediately* upon notice of such termination or layoff. Here are some reasons why contacting BERS is so imperative: under certain circumstances, you are allowed to retire without having filed your retirement application by the deadline of 30 days before effective date of retirement. And, having been laid off, you can also switch from Plan A to Plan B, but within a very short period of time.

Then, if you in fact made such a switch after having been laid off, you might have the opportunity to switch back to Plan A from Plan B anew – that is, provided you indeed return to service, and provided that you had not already switched between plans the maximum number of times allowed. (That maximum, again, is twice: once after June 28, 1995, and once within the 30-day period before retirement.) If covered and vested under Plan B, you can wait and retire at that plan's normal retirement age.

Further, if you are laid off and you remain permanently appointed on a preferred list, you can keep your membership active. Post-layoff time on the preferred list is considered continuous service that counts toward the 25-year Qualifying Service requirement under Plan A, and counts toward credited service under Plan B.

In addition, you can also choose to retire when terminated without fault or delinquency (known as a "no-fault" retirement) provided the following applies to you: you have at least 20 years of service, with at least six months immediately preceding your employment's end; or, you are terminated from a competitive or labor class position, also with at least six months of service immediately preceding your employment's end. A no-fault retirement's benefits are payable immediately, but at a *reduced* rate of payment if you do not meet the criteria for full service retirement benefits.

Once again, contacting BERS as soon as possible is a post-termination, post-layoff must.

Termination For Cause

Different rules apply if you are terminated "for cause"; such will result in the loss of benefits for Plan A members (unless you had switched to Plan B). So, if terminated for cause and in Plan A, you must have contacted BERS, and must have officially switched to Plan B by filing the relevant forms at BERS *before the effective date of your termination for cause* in order to have avoided loss of benefits.

WHAT IF YOU LEAVE AND RETURN TO SERVICE LATER

Maintaining Your Membership Rights

If your covered employment ends before retirement but you then return to work for the Department of Education or another covered employer later, you would maintain your Tier 1 membership rights in BERS, as well as retain the credited service you had accrued before your employment ended, if any of the following applies to you:

either

- you are vested in Plan B before your employment ends, and you do not withdraw your employee contributions from your ASF (on which interest continues to accrue);

or

- your employment ends but you are not vested, you do not withdraw more than 50% of your employee contributions from your ASF, and your absence does not exceed a total of five years.

If the second scenario just above applies to you – that is, you are not yet vested, et cetera – and you return to the employ of the Department of Education or that of a covered employer within a five-year period, you would come back as a Tier 1 member with the same rights and privileges that you had before your employment ended (including your choice of Plan A or B, and your investment approach). Your future credited service would then be added to your past credited service. In other words, you would pick up just where you left off.

Further – also regarding the same non-vested scenario – if your absence is for five years or less and you leave your contributions in your ASF, the contributions will continue to accrue earnings per your investment choices for up to five years, at which point these earnings will cease.

An approved leave of absence without pay is not a break in service, and does not affect your membership. But such leaves are generally not included in your credited service; only under certain circumstances can you purchase service credit while on such a leave.

However, do recall that if you are laid off and you remain permanently appointed on a preferred list, your membership can remain active. And remember that such post-layoff time on the preferred list is considered continuous service that counts toward the 25-year Qualifying Service requirement under Plan A, and counts toward credited service under Plan B.

Returning To Service After Losing Your Membership Rights

If you lost your membership rights and you return to the employ of the Department of Education or that of a covered employer, you can indeed join BERS again. You would come back as a member in the current program open to new members. You would receive credit for your service prior to your absence – that is, if you buy it back – after completing two years of membership service in that current tier.

Or, having rejoined, you can then apply to have the rights of your former Tier 1 membership reinstated. See the first chapter "Who Is a Tier 1 Member" for discussion on tier reinstatement, including information on refunds you repay, refunds due you, restoration of original membership status and start date, and much more.

Again, an approved leave of absence without pay is not a break in service, and does not affect your membership. But such leaves are generally not included in your credited service; only under certain circumstances can you purchase service credit while on such a leave.

HOW TO FILE FOR RETIREMENT BENEFITS

First, you should speak with your Timekeeper, Personnel Manager, or Payroll Department to see if you have any paid leave coming to you; then you should address how to handle your accrued vacation time, sick time, and terminal leave. Most importantly, you should consult them to determine the last day that you will be on payroll – and then inform BERS of that date. Your last day on payroll is the date that is crucial to BERS. Of course, once you decide to retire, you should inform your bureau head or supervisor of this decision.

Next, you should make an appointment to meet with a BERS representative at least three months before your retirement date. During this appointment you get a retirement application, information about your retirement payment options, information about your rights within your specific retirement program, and the approximate amount of your retirement allowance.

Then, if you are currently working or are on an approved leave, if you meet all eligibility requirements, and you want to retire, you must file an application for service retirement with BERS. When filing this application, you should request that your actual date of retirement be the day after the last day you are an employee. Or, if covered under Plan A's Deferred Retirement, you should request that your deferred retirement period begin the day after the last day you are an employee.

Advisably, you should complete and return these same application forms as soon as you make your decision to retire. But you *must* file your retirement application no later than 30 days before your retirement date.

Naming Beneficiaries At Retirement

When you file for service retirement, you designate a beneficiary or beneficiaries once again. Do recall that you can assign separate beneficiaries for each of the following funds:

- the pension portion of your retirement allowance
- your Annuity Reserve Fund (ARF)
- your ITHP Reserve Fund
- the Presumptive Death Benefit
- any TDA contributions you may have made

Note that you can change your choice of beneficiaries for your TDA contributions even *after* retirement, provided that you did *not* convert these contributions into an annuity.

Also recall that under Option 1 (Return Of Reserve) and Option 4 (Lump Sum), you can change your choice of beneficiaries *even after* 30 days after first payment of your retirement allowance has been made.

The Continued Relevance Of The Presumptive Death Benefit

The Presumptive Death Benefit serves as a backup – even if you selected the Maximum Retirement Allowance, which does not provide for any beneficiaries – in case of the following eventuality: if you die after retirement but before first payment of your retirement allowance has been made, then your beneficiaries would receive benefits as prescribed by the Presumptive Death Benefit, to be calculated as a benefit under Option 1 (Return Of Reserve).

And if you are covered under Plan A's Deferred Retirement, yet you die after the start date of your deferred retirement period but before first payment of your retirement allowance has been made, then your beneficiaries would also receive benefits as prescribed by the Presumptive Death Benefit, to be calculated as a benefit under Option 1 (Return Of Reserve) as well.

Choosing Your Investment Fund Anew

When filing for retirement, you must decide once again how to invest both the assets in your ARF and those in your ITHP Reserve Fund. You can invest these assets *either* in the Fixed Income Fund only, *or* in the Variable Annuity Fund only, *or* you can divide them in half and invest 50% of each set of assets in both the Fixed Income Fund and the Variable Annuity Fund (that is, divide assets between the two funds). But you *must* invest *both* in the same fashion (whether 100% fixed, 100% variable, or 50% of each).

Benefit Payment Methods

Retirement benefit payments are made once per month, on the last day of the month. BERS can either send your check directly to your home, or can deposit your payment directly into your bank account through Electronic Funds Transfer (EFT) – commonly known as direct deposit. EFT is a faster and safer method of payment, but is available to you only if your bank is a member of the New York Clearing House. (Talk to an official at your bank to find this out.) To choose EFT, you must get from BERS and complete an Electronic Funds Transfer Application form, have it signed by an official at your bank, and then return it to BERS.

Benefit Statements And Tax Forms

If you choose to receive payment via check, a stub will be attached to the monthly check. If you choose Electronic Funds Transfer, each calendar quarter you will receive a statement showing the amount of benefits paid to you. With either method of benefits payment, each year you will be sent a 1099-R with the information necessary for preparing your federal, state, and local income tax returns.

Withdrawal Of Your Application For Retirement

Your can withdraw your application for service retirement at anytime up to the day before the actual date of your retirement (or start date of your deferred retirement period). But to do so, you must file with BERS a written request to rescind your retirement application.

WHAT IF YOU BECOME DISABLED

Tier 1 Ordinary Disability Retirement Eligibility

You are eligible to receive Tier 1 Disability Retirement Benefits at any age, provided that the following apply to you:

- you notify BERS in writing that you request disability retirement; and
- after a medical examination, the Medical Board finds that you are physically or mentally incapacitated for the performance of the duties of your job, and, if you are no longer performing the duties of your job title, that you were so incapacitated when you ceased performance of your duties; and
- you have 10 or more years of credited service (unless your disability is a result of a job-related accident).

Ordinary Disability Retirement Benefits

If your application for ordinary disability retirement is approved, your benefit would be calculated as follows:

1.2% x final average salary x years of credited service
before July 1, 1968
plus
1.53% x final average salary x years of credited service
after June 30, 1968
plus
an ITHP pension based on the actuarial value of your ITHP Reserve Fund
(with interest) on the date your retirement becomes effective
plus
an annuity based on the actuarial value of your ARF
(with interest) on the date your retirement becomes effective
minus
any Workers' Compensation payments

If, however, you are eligible for service retirement under Plan A as well, and if your Plan A benefits would in fact be larger than the preceding calculation, then you will get ordinary disability retirement benefits that are equal to the Plan A service retirement benefits to which you are entitled.

If you joined Tier 1 *on or after June 17, 1971* (or your BERS membership start date falls on or after that date via tier reinstatement or reversion), note the following: when computing your FAS, no year's Earnable Salary can exceed 120% of the preceding year.

Tier 1 Accidental Disability Retirement Eligibility

You can retire with less than the 10 years of credited service normally required (per above) only if the Medical Board determines that your disability is indeed the result of an accident you suffered while performing your job, and that said accident is not a result of your own willful negligence. Also, the accident must have occurred while you were a member of BERS.

Accidental Disability Retirement Benefits

The computation of Tier 1 Accidental Disability Retirement Benefits includes Final Compensation as a factor. Final Compensation (versus FAS) means this: the greater average of your Earnable Salary *either* during the five-year period immediately preceding your retirement, *or* during any consecutive five-year period that you pick.

If you joined Tier 1 *on or after June 17, 1971* (or your BERS membership start date falls on or after that date via tier reinstatement or reversion), note the following: when computing your Final Compensation, no year's Earnable Salary can exceed 120% of the preceding year.

If your application for accidental disability retirement is approved, your benefit would be calculated as follows:

75% of your final compensation

plus

an ITHP pension based on the actuarial value of your ITHP Reserve Fund (with interest) on the date your retirement becomes effective

plus

an annuity based on the actuarial value of your ARF (with interest) on the date your retirement becomes effective

minus

any Workers' Compensation payments

If, however, you are eligible for service retirement under Plan A as well, and if your Plan A benefits would in fact be larger than the above calculation, then you will get accidental disability retirement benefits that are equal to the Plan A service retirement benefits to which you are entitled.

How To File For Disability Retirement

You must notify BERS in writing that you request Tier 1 Ordinary Disability Retirement while you are on an approved leave of absence, or while on payroll. And you must notify BERS in writing that you request Tier 1 Accidental Disability Retirement within two years of the accident.

And when you file for disability retirement, just as if you were filing for service retirement, you select either the Maximum Retirement Allowance or an Option, designate beneficiaries, decide how to invest both your ARF and ITHP Reserve Fund assets, and so on.

The effective date of your ordinary disability retirement, if approved, is either the date of your medical examination by the Medical Board, or no less than 30 days from the date on which your application is received by BERS. The effective date of an accidental disability retirement is set by the Medical Board.

What If You Are No Longer Eligible For Disability Retirement

If, after a medical examination, you are deemed able to perform the duties of your job, your name will be placed on a list of preferred eligibles for appointment to a public service position in a salary grade no higher than that from which you retired. Your disability benefits would be continued until you are first offered such a position at such salary grade.

WHAT IF YOU DIE BEFORE RETIREMENT

Death Benefits

Benefits are paid to your survivors if you die after retirement via the Options previously explained. But benefits are also paid if you die before retirement.

One of three kinds of benefits may be paid if you die before retirement:

- **Ordinary Death Benefit**
  to be paid to your designated beneficiary(ies), that is, whom you chose; or
- **Presumptive Death Benefit**
  to be paid to your designated beneficiary(ies); or
- **Accidental Death Benefit**
  to be paid to an "eligible beneficiary" as defined by law.

Ordinary Death Benefit

A lump sum Ordinary Death Benefit would be paid to your beneficiary provided that you die while in active service, and that your death is not job-related. This cash benefit would be calculated as follows:

if you have less than 10 years of credited service:
six months of current earnable salary
or
if you have 10 or more years but less than 20 years of credited service:
one year of current earnable salary
or
if you have 20 or more years of credited service:
two years of current earnable salary

plus

the balance of your ITHP Reserve Fund

plus

the balance of your ARF

If you joined Tier 1 *on or after June 17, 1971* (or your BERS membership start date falls on or after that date via tier reinstatement or reversion), note the following: when computing the Ordinary Death Benefit, no year's Earnable Salary can exceed 120% of the preceding year.

Presumptive Death Benefit

If you die before retirement but are already eligible for service retirement under Plan A or Plan B, then your beneficiaries would receive the Presumptive Death Benefit, which is calculated as a benefit under Option 1 (Return Of Reserve). Your beneficiaries would then receive one of the of the following two – whichever is greater:

- ▶ the Ordinary Death Benefit (just described) or the Accidental Death Benefit (if applicable, and about to be described on the very next page);
- ▶ the actuarial value of the reserve for the retirement allowance to which you would have been entitled had you retired on the day before your death.

Note that if you are covered under Plan A's Deferred Retirement, yet you die after the start date of your deferred retirement period but before first payment of your retirement allowance has been made, your beneficiaries would receive the Presumptive Death Benefit, to be calculated as a benefit under Option 1.

Death Benefit For Discontinued Vested Plan B Members

If you are a discontinued member and you die before you would have been eligible to receive a retirement allowance, your beneficiaries (or estate) can still receive a death benefit if the following applies to you at the time of your death: you were vested in Plan B and you had at least 10 years of credited service. The benefit would be equal to one half of the Ordinary Death Benefit that would have been payable had you died on your last day of active service.

Accidental Death Benefit

If BERS determines that your death is the result of an accident you sustained while performing your job, while in active service and while a member of BERS, and that said accident was not a result of your own willful negligence, then the Accidental Death Benefit will be paid to your "eligible beneficiary." (The latter will be explained, right after this benefit's computation just below.)

The computation of the Accidental Death Benefit includes Final Compensation as a factor. Again, Final Compensation means this: the greater average of your Earnable Salary *either* during the five-year period immediately preceding your retirement, *or* during any consecutive five-year period. BERS calculates which is the greater of the two.

If you joined Tier 1 *on or after June 17, 1971* (or your BERS membership start date falls on or after that date via tier reinstatement or reversion), note the following: when computing your Final Compensation, no year's Earnable Salary can exceed 120% of the preceding year.

The Accidental Death Benefit would be calculated and paid as follows:

a pension equal to 50% of your final compensation paid
to the eligible beneficiary

plus

the balance of your ITHP Reserve Fund paid to your designated beneficiaries

plus

the balance of your ARF paid to your designated beneficiaries

minus

any Workers' Compensation payments

As opposed to regular designated beneficiaries chosen by you, these eligible beneficiaries are defined and dictated by law and, thus, the pension portion of the Accidental Death Benefit would be paid in the following order:

- to your surviving spouse – until he or she remarries,
- to each of your children until he or she reaches age 18,
- to your parents who depend on you for support.

An application for an accidental death benefit must be filed within 60 days after your death. This 60-day period may be waived provided that an ordinary death benefit has not been paid.

What Your Survivors Should Do If You Die Before Retirement

If you die before retirement, your survivors should meet with a BERS representative who will do the following:

- determine your survivors' eligibility for benefits,
- explain the procedures for claiming benefits,
- calculate any benefits due,
- outline payment options.

Please take serious note: you should always keep all pertinent BERS documents and forms in a location that is known and readily accessible to your beneficiaries or the executor of your estate.

WHAT IF YOU RETURN TO WORK AFTER SERVICE RETIREMENT

Your retirement allowance is not affected if you return to work outside of New York public service, that is: employment with the federal government, or with another state, or in private industry.

When applied to post-retirement employment, New York public service includes these: any employment with the State of New York, or with any county, city, town, village, school district, or special district within the State; or with the City of New York, including the Department of Education.

If you return to work within New York public service, you must notify BERS. Your retirement allowance should be suspended for the duration of such employment, unless you qualify for one of the statutory exceptions: Sections 212 or 211 of the Retirement and Social Security Law (RSSL). If you meet the requirements of RSSL Sections 212 or 211, you may be permitted to receive all of or a portion of your retirement allowance while employed in New York public service.

RSSL Section 212

If you file with BERS a statement that you elect the provisions of RSSL Section 212, then you can work in New York public service and earn up to the current earnings limitation amount ($27,500 per year as of this printing) without any reduction in your retirement allowance payments. (The State Legislature periodically increases the Section 212 earnings limitation amount.)

But, if you are age 65 or above and you elect the provisions of RSSL Section 212, you can work in New York public service and not be confined to the earnings limitation, permitting you to earn any amount without a reduction in your retirement allowance payments.

RSSL Section 211

If you are employed in New York public service outside of the New York City Department of Education, your post-retirement employer can apply for an RSSL Section 211 waiver for you. And if such a waiver is granted, you can continue to receive the full amount of your retirement allowance payments during such employment.

But if you are reemployed by the New York City Department of Education, and your employer secures an RSSL Section 211 waiver for you, you can continue to receive your full retirement allowance payments only on condition that the following applies to you.

The difference between the two below can not be greater than your post-retirement earnings from the Department of Education:

- your retirement allowance (as calculated before any reductions due to an Option you may have selected) including any cost-of-living increases

  and

- the current salary of the position from which you retired then rounded up to the nearest amount divisible by $500.

For example, if your Maximum Retirement Allowance is $19,250 per year (including any cost-of-living increases), and your old job currently pays $35,000 per year, this stipulation would be figured as follows:

$35,000 – $19,250 = $15,750

rounded up to the nearest amount divisible by $500 = $16,000.

Therefore, you could earn up to and no more than $16,000 per year from the Department of Education without reduction of your retirement allowance.

Post-Retirement Transfer:
New York State And Local Employees' Retirement System

Even if you retired under Plan A or Plan B and you already received retirement allowance payments, or even if you are covered under Plan A's Deferred Retirement and your deferred retirement period is already in effect, you can nonetheless go to work for certain employers within the State of New York and transfer your BERS membership to the New York State And Local Employees' Retirement System (NYSLERS).

You execute such a post-retirement transfer like this: first you would have to repay BERS any retirement allowance payments that you have received; such repayment would nullify your BERS retirement. Then you can transfer your BERS membership, service credit, and reserves to NYSLERS.

If, however, you have not yet received any retirement allowance payments or you are a deferred retiree, then you can transfer your BERS membership to NYSLERS and, thus, your application for retirement at BERS would be deemed rescinded.

Before you decide to make such a transfer, it is crucial that you consult with representatives of both BERS and NYSLERS. Why? Because your rights and benefits under NYSLERS may not be the same as they are under BERS.

CHANGE OF PAYROLL STATUS

This is crucial: you must notify BERS if your payroll status changes. Why? Because your employee contributions to BERS through automatic payroll deductions will cease when your former status ceases. Such a break in automatically deducted contributions will result in arrears – arrears that you will have to pay. So be sure to confer with your Timekeeper, Personnel Manager, or Payroll Department to remain informed as to your status, and then inform BERS should there be a change.

CHANGE OF ADDRESS

This is also crucial: if you plan to move, you must contact BERS for the appropriate change of address form. Then you must return to BERS a signed and notarized form if you are a retiree, or a change of address card if you are an active member. (When in active service, notifying your employer alone as to your change of address does not suffice.)

All information will then be sent to your new address. What BERS mails to you is extremely important – such as your semi-annual statements, news of critical changes in the law, let alone your checks and tax forms. You do not want such mailings rerouted or lost.

HEALTH INSURANCE BENEFITS FOR RETIREES

The City of New York provides health insurance coverage for eligible retirees and their dependents (that is, legal spouse or registered domestic partner, and other eligible dependents).

In order to continue health insurance coverage after your retirement for you and eligible dependents, you must file an application several months before your retirement date with the Office of Health and Welfare of the Department of Education (or that of your covered employer). Unless you have a Health and Welfare representative on-site (as do the School Construction Authority and the Office of School Food and Nutrition Services), you contact:

The Division of Human Resources
Office of Health and Welfare
65 Court Street
Brooklyn, NY 11201
Telephone: (718) 935-2828

Further, if you are a transferred contributor, contact your particular employer's Health and Welfare Office.

Once retired, however, you direct all issues and inquiries to:

New York City Health Benefits Program
Office of Labor Relations
40 Rector Street, 3rd Floor
New York, NY 10006
Telephone: (212) 513-0470

This is critical, so please take note: upon your death, City health insurance benefits for your dependents will end *immediately* unless your dependents choose to continue coverage via direct payment to the health plan itself.

It is also important to remember that when you or any of your dependents reach age 65, you must each apply for Medicare on your own – that is, Medicare Part A and Medicare Part B (or any further supplemental policy).

Although there may be deductions in your retirement allowance payments to pay for the cost of certain health benefits, BERS does *not* administer health care benefits for retirees. So, once again, contact the New York City Health Benefits office at 40 Rector Street after you have retired.

WELFARE FUND BENEFITS

If you are a member of a union welfare fund plan, you may be eligible for added benefits such as life and health insurance. Please contact your union's welfare fund representative for further information.

SPECIAL OFFICERS 25-YEAR RETIREMENT PROGRAM

This early retirement program is open to the following job titles: Peace Officers employed by the Department of Education and the New York City Housing Authority; transferred contributors to BERS such as School Safety Officers employed by the New York City Police Department, Campus Peace Officers at CUNY, Special Officers at mayoral agencies and the Health and Hospitals Corporation, Parking Control Specialists, and Taxi and Limousine Inspectors. Current BERS members who enter a position eligible for this program can choose to participate in it within 180 days of starting that position.

To retire under this program, you must have at least 25 years of service in one of the eligible job titles, and you must have paid all required additional member contributions at the rate of 6.25%. If you have 25 years of service eligible for this program, you must then participate in the program for one year to retire under its provisions. But if you have 30 years of service eligible for this program, you can retire immediately.

There is no minimum retirement age required by this program.

ABOUT THE BERS TAX-DEFERRED ANNUITY PROGRAM

Beyond participating in one of the BERS retirement plans, as a BERS member employed by the Department of Education or CUNY, you have the added option of making employee contributions to the BERS Tax-Deferred Annuity Program (TDA). Authorized by Section 403(b) of the Internal Revenue Code, the TDA Program gives you important tax incentives to save for retirement.

Not only does a TDA supplement your Social Security benefits and your pension, it also establishes a pool of tax-deferred assets for you. The interest earned on a TDA is also tax-deferred.

Participation in the TDA Program is entirely voluntary. If you want to participate, you must complete a TDA Enrollment form with BERS. For more information about the TDA Program, refer to the BERS TDA Enrollment Kit with booklet therein.

ABOUT PENSION LOANS

Employer sponsored loan programs include Tier 1 pension loans, these also commonly known as Qualified Pension Plan (QPP) loans. Other such programs include TDA, Early Retirement, 401(k), and 457.

The Tier 1 Qualified Pension Plan (QPP) loan program is separate from any of the other loan programs in which you are eligible to participate, and is administered in accordance with the Internal Revenue Service Rules and Regulations, New York State Education Law, and BERS Rules and Regulations. The BERS pension plan funds this loan; and it is a loan that uses your ASF account as collateral. When the loan check is drawn, your account balance is not reduced by the amount of the loan. But, if you retire or if your employment ends, and you have an outstanding loan, the outstanding balance may become a deficit in your ARF account. (Such a deficit will result in a reduction in your benefits.)

Eligibility: If you are in active service or on leave of absence, have at least three years of membership service, and are not in default in any BERS loan program, then you are eligible to take a Tier 1 QPP loan. You can take only up to three loans in a 12-month period.

Calculation: Each loan over $10,000 is calculated separately. But, with a new loan, if your combined balance of employer sponsored loans is less than $10,000, you have the option of either combining the new loan amount with your outstanding Tier 1 QPP loan balance or having it recorded separately.

Minimum Loan Amount: The minimum loan amount is $10.

Maximum Loan Amount: If you have five or more years of credited service or you are at least age 55, your maximum available loan is the lesser of (a) or (b) below. If you have less than 5 years of credited service and are younger than age 55, your maximum available loan is the least of (a), (b), or (c) below:

(a) $50,000 minus your highest combined loan balance during the last 12 months from any employer sponsored loan programs including QPP, TDA, Early Retirement, 401(k), 457; or

(b) 75% of your ASF account balance minus your current QPP outstanding loan balance; or

(c) The greater of: (1) 50% of the account balances in your ASF, TDA, Early Retirement, 401(k), 457; or (2) $10,000 minus your current combined outstanding loan balance.

Interest Rate: The interest rate for all Tier 1 QPP loans is currently 6%. This interest rate may change based on reviews by the Chief Actuary of the City of New York, and on subsequent legislation.

Service Charge: There is no service charge to process a Tier 1 QPP loan.

Loan Insurance: If you have an outstanding loan balance in the event of your death and your loan is insured, your loan will be liquidated (that is, repaid by the insurance program).

Note that the insurance on your new loan begins 30 days after the date of your loan check. There is no insurance for the first 29 days of the loan. After 30 days, 25% of your loan is insured. After 60 days, 50% of your loan is insured. After 90 days, 100% of your loan is insured. Insurance is discontinued for any loan that goes into default.

(There is no insurance premium for a Tier 1 QPP loan.)

Loan Duration and Repayment: The maximum repayment period for each Tier 1 QPP loan is 48 months.

The amount borrowed – together with interest – is repaid in regular installments over a period of up to four years. Repayments are generally made through payroll deductions. Your minimum loan repayment cannot be less than 5% of your gross salary per paycheck per loan.

If you have a combined loan balance in excess of $10,000, any new loan will be a separate deduction on your paycheck. Or again, with a new loan, if you have a combined balance of less than $10,000, you have the option of either combining the new loan with any outstanding QPP loan balance or having it recorded separately.

If you are not receiving paychecks (for example, you are on leave of absence without pay), you must request to make monthly payments directly to BERS. Monthly payments made directly must agree with the amount calculated when the loan is initiated.

A lump sum payment option to pay off an outstanding loan balance is also available. To make a lump sum payment, contact BERS to request a lump sum payment amount and the payment due date.

Partial payments over $500 are allowed and will result in a recalculation and new loan repayment schedule.

Defaults: Your loan will be considered in default if no payments are received within any 90-day period. If deductions from your paycheck do not begin in accordance with the date indicated in your loan letter, contact BERS immediately to rectify this. Further, you must inform BERS as to changes in payroll status; such may interfere with loan payment deductions from your paycheck.

If your loan goes into default, its outstanding balance is considered a distribution and will be reported to the Internal Revenue Service. You will receive a 1099-R for the taxable portion of the distribution. There may be tax consequences associated with such a distribution.

Insurance is discontinued for any loan that goes into default; and a default will prevent you from using BERS loan programs in the future.

Loans at Retirement: An outstanding loan balance at retirement is considered a distribution and will be reported to the Internal Revenue Service. Unless the outstanding loan is fully paid, you will receive a 1099-R for the taxable portion of the distribution. There may be tax consequences associated with such a distribution.

Note: any outstanding loan at retirement will reduce your retirement allowance.

Resignation or Termination: If you resign or are terminated, you must contact BERS immediately to make arrangements for the repayment of your loan. If no payment is received within 90 days of the last payment, the outstanding loan will go into default and will be considered a distribution. The distribution will result in a 1099-R and will be reported to the Internal Revenue Service. There may be tax consequences associated with such a distribution.

Transfer of Membership to Another Retirement System: If you transfer to another retirement system, your outstanding loan balance will also be transferred, provided that the new retirement system is willing to accept the outstanding loan. If the new retirement system cannot accept the outstanding loan, you must make a lump sum payment to BERS within 90 days. If such payment is not received within 90 days of the last payment or the entire loan is not repaid at the time of your transfer, the outstanding loan balance will be considered a distribution. The distribution will result in a 1099-R and will be reported to the Internal Revenue Service. There may be tax consequences associated with such a distribution.

Loan Balance Information: Your semi-annual statement from BERS includes information concerning your loan activity, availability, and status. You can also request a loan inquiry from BERS at any time.

Note: once your loan application is processed, the loan cannot be cancelled.

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- And most importantly, enjoy your retirement!

NOTES

NOTES

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