BERS

TIER 4

UPDATE

Board of Education
Retirement System
of the City of New York

Summary Plan Description

With Tier 3 Supplement

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

TIER 4 SUMMARY PLAN DESCRIPTION

TIER 3 PLAN, 25 YEAR EARLY RETIREMENT PROGRAM, and AGE 57 RETIREMENT PROGRAM Supplements

UPDATE

December 2001

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Dear Member or Prospective Member:

Since the publication of the Tier 4 Summary Plan Description (SPD), many sweeping and significant legislative changes have taken place that affect your retirement plan. At the Board of Education Retirement System, we want you to remain apprised of all such changes.

In this booklet, we clarify the new laws and their implementation. Just follow the arrows that start on the pages to the left and that direct you to miniature replicas of pages from the Tier 4 Book. These arrows guide you from explanations of the new legislation and then point you to sections within the Tier 4 SPD that the new legislation has changed.

We strongly suggest that you keep this booklet with your Tier 4 book. Please be aware, though, that we discuss herein only that which has changed in your retirement plan. Please also be aware that, should there be any variation between this summary and any applicable laws, rules and regulations, the applicable laws, rules and regulations will govern.

We certainly hope this booklet will be of great help to you and your loved ones.

Sincerely,

Horatio H. Sparkes

Horatio Sparkes
Executive Director

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EARLY RETIREMENT
UNDER THE BASIC TIER 4 PLAN

When You Are Eligible Now To Retire Under Tier 4

Due to a change in law effective October 1, 2000, the Basic Tier 4 Plan now allows a reduced early retirement benefit as early as age 55 for those who are not participants in the 55/25 or 57/5 programs. This means that you can retire between the ages of 55 and 62 under Tier 4, *but with a reduction in the amount of benefit*. So, if you have at least five years of credited service (and are, hence, vested), you have made all required membership contributions, and you have reached at least age 55, then you are eligible to receive reduced service retirement benefits.

Based on the selection of a Maximum Retirement Allowance and calculated before any further reductions due to the choice of an Option, the Tier 4 early service retirement benefits are reduced as follows:

Time Of Early Retirement	Percentage Of Benefit Reduction
during each / any of the first 24 months before age 62	.5% (or 1/2 of one percent) per month
during each / any month before age 60	.25% (or 1/4 of one percent) per month

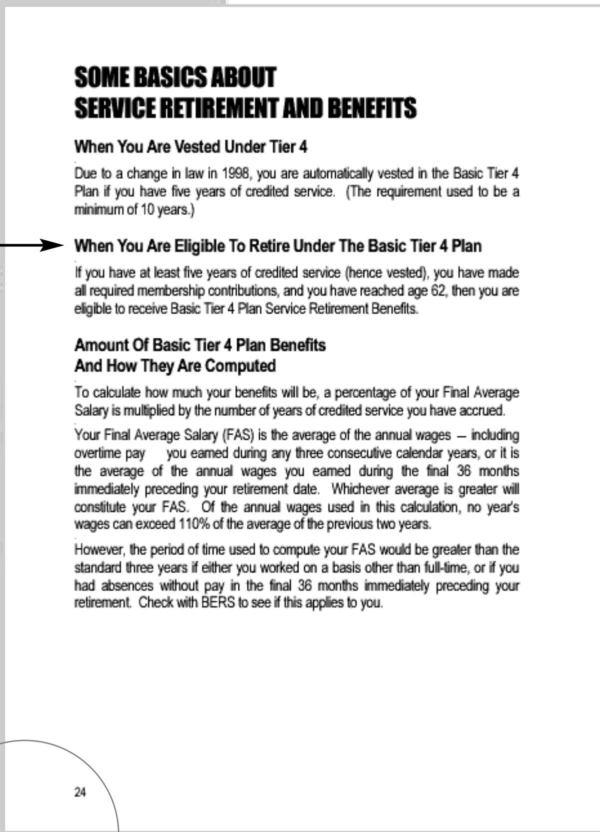
For example, if you retire at age 61, your benefits would be reduced like this:

the difference between age 61 and age 62 = 1 year = 12 months
therefore
the benefit is decreased by .5% x 12 months — that is, by 6 percent.

If, for example, you retire at age 56, your benefits would be reduced in this way:

the difference between age 60 and age 62 = 2 years = 24 months
plus
the difference between age 56 and age 60 = 4 years = 48 months
therefore
the benefit is decreased by .5% x 24 months
plus
.25% x 48 months — that is, by a total of 24 percent.

Remember, the two examples above do not include any further reductions due to an Option you may have selected. Further note that the new legislation permitting early retirement under Tier 4 does not affect the provisos of 55/25 or 57/5. (Both of these programs allow retirement before age 62 without reduction in benefit.) Tier 3's reduced early retirement benefits and reduced escalation are also not affected.



SOME BASICS ABOUT SERVICE RETIREMENT AND BENEFITS

When You Are Vested Under Tier 4

Due to a change in law in 1998, you are automatically vested in the Basic Tier 4 Plan if you have five years of credited service. (The requirement used to be a minimum of 10 years.)

When You Are Eligible To Retire Under The Basic Tier 4 Plan

If you have at least five years of credited service (hence vested), you have made all required membership contributions, and you have reached age 62, then you are eligible to receive Basic Tier 4 Plan Service Retirement Benefits.

Amount Of Basic Tier 4 Plan Benefits And How They Are Computed

To calculate how much your benefits will be, a percentage of your Final Average Salary is multiplied by the number of years of credited service you have accrued.

Your Final Average Salary (FAS) is the average of the annual wages – including overtime pay you earned during any three consecutive calendar years, or it is the average of the annual wages you earned during the final 36 months immediately preceding your retirement date. Whichever average is greater will constitute your FAS. Of the annual wages used in this calculation, no year's wages can exceed 110% of the average of the previous two years.

However, the period of time used to compute your FAS would be greater than the standard three years if either you worked on a basis other than full-time, or if you had absences without pay in the final 36 months immediately preceding your retirement. Check with BERS to see if this applies to you.

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For members represented by an employee organization for collective bargaining purposes, eligibility for Tier 4 reduced early retirement benefits is indeed retroactive to October 1, 2000. Its full implementation, however, awaits pending contract settlement. In other words, if you want to retire early and are eligible to do so, you will not start receiving payments of your reduced early retirement benefits until the contract between your union and the City of New York is finalized. And, if you in fact retire early but before such a contract is complete, then you will receive benefits retroactive to your actual date of retirement once the contract is settled.

TIER 3 SUPPLEMENT

Who Is Eligible For Tier 3 Benefits

If you joined BERS after July 26, 1976 but before September 1, 1983, you are a Tier 4 member who may elect benefits under Tier 3.

But, you do not have the option of electing Tier 3 benefits if you joined BERS after August 31, 1983 – then you are covered only by Tier 4. Further, you can not mix and merge the provisions of Tier 3 and Tier 4 to modify eligibility requirements under either plan.

In general, Tier 4 offers greater benefits than does Tier 3. Under some circumstances, however, Tier 3 might provide you with greater benefits than would Tier 4; or Tier 3 might be the only benefits to which you are entitled. If you want to retire early, for example, Tier 3 permits service retirement between the ages of 55 and 62 with a reduction in the amount of the benefit, whereas the Basic Tier 4 Plan does not permit service retirement before age 62.

Nevertheless, most features of Tier 3 and Tier 4 are similar or identical. Those features that differ significantly are discussed within this supplementary section.

About Employee Contributions To The Tier 3 Plan

Both Tier 3 and Tier 4 members are required to make regular contributions to BERS equal to 3% of their wages. Under Tier 3, however, members are *not* required to contribute after 30 years of credited service. This is because neither credit toward retirement nor increase in retirement allowance is granted for service beyond 30 years under Tier 3.

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If you want to retire early, now both the Basic Tier 4 Plan and the Tier 3 Plan permit service retirement between the ages of 55 and 62 with a reduction in the amount of the benefit. And just like under Tier 3, this reduction in benefit is permanent. There is a difference, however, in how the reduction is computed under Tier 3 from how it is computed under Tier 4.

TIER 3 SERVICE RETIREMENT BENEFITS

When You Are Vested Under Tier 3

Due to a change in law in 1998, you are automatically vested in the Tier 3 or 4 Plan if you have five years of credited service. (The requirement used to be a minimum of ten years.) So, if you are a Tier 4 member with Tier 3 rights, and you have five or more years of credited service at the time your employment ends, then you are eligible to receive the following:

- a full retirement benefit at or after age 62, or
- a reduced retirement benefit as early as age 55.

When You Are Eligible To Retire Under The Tier 3 Plan

If you are a Tier 4 member with Tier 3 rights, you have at least five years of credited service, you have made all required membership contributions, and you have reached age 55 – then you are eligible to receive Tier 3 Service Retirement Benefits.

Again, Tier 3 allows normal service retirement at or after age 62, or reduced early service retirement between the ages of 55 and 62. So, if you are eligible for Tier 3 benefits, you may retire under Tier 3 instead of Tier 4 in order to get your retirement benefits earlier than the normal retirement age of 62.

Amount Of Tier 3 Benefits And How They Are Computed

To clarify the definition of "primary Social Security benefits" when applied to Tier 3 benefits:

First and foremost, it is necessary to understand the definition of primary Social Security benefits to be applied to the calculations of Tier 3 benefits to follow. The definition is this: primary Social Security benefits are the Social Security benefits that result from your covered employment in New York public service – covered employment for which you also receive credited service at BERS.

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IMPORTANT CHANGES TO EMPLOYEE CONTRIBUTIONS

More About Employee Contributions To The Basic Tier 4 Plan

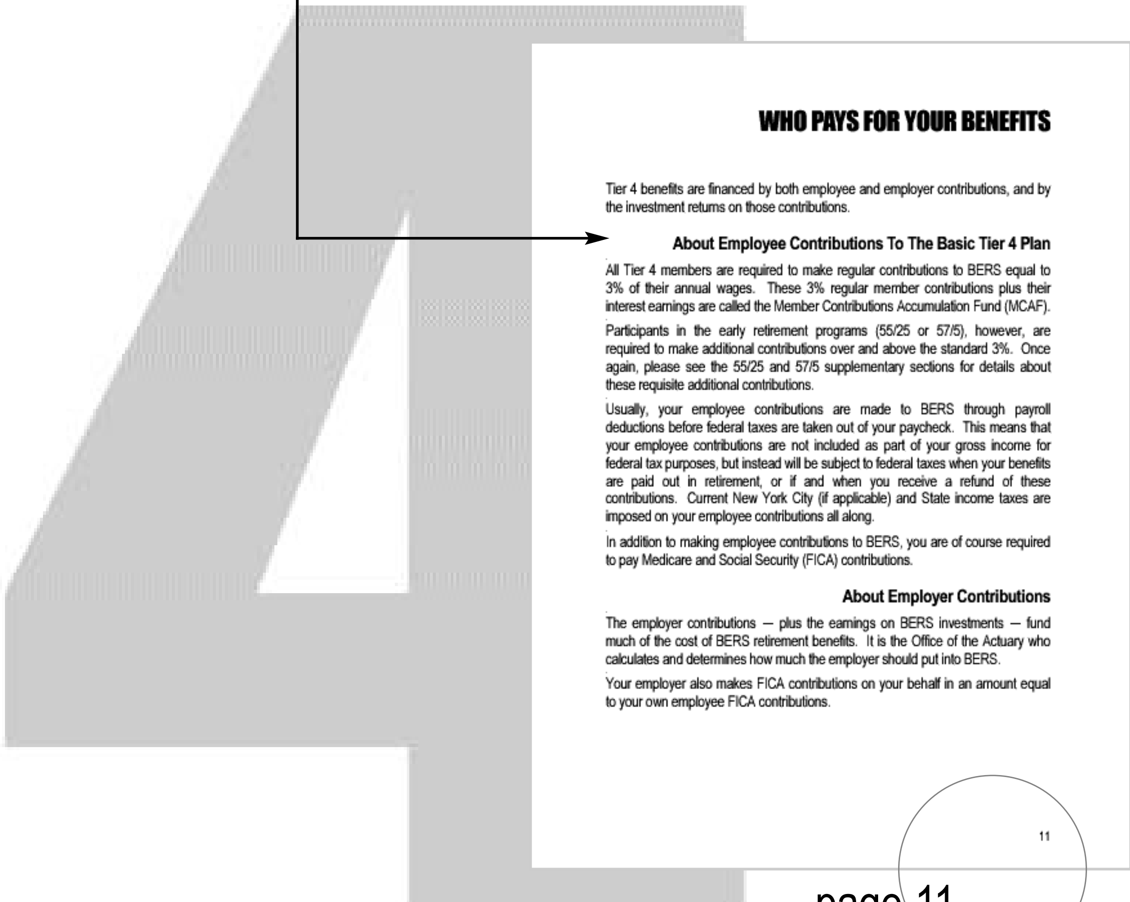
As a Tier 4 member, you are required to make regular contributions to BERS equal to 3% of your annual wages. But due to a change in law effective October 1, 2000, when you complete 10 years of membership or 10 years of credited service, you are no longer required to make these contributions. So once you have either 10 years of membership in the Retirement System or 10 years of credited service — whichever happens first — the deduction from your paycheck of your 3% contributions will automatically stop. Even if you are no longer required to make employee contributions to BERS, you of course continue to pay Medicare and Social Security (FICA) contributions.

Do note that participants in the early retirement programs (55/25 or 57/5), however, are still required to make the additional contributions over and above the standard 3%, whether or not they have 10 or more years of membership or of credited service.

Naturally, once your 3% regular contributions cease, an amount equivalent to those contributions will no longer be channeled into your Member Contributions Accumulation Fund. The funds that already accumulated in your MCAF account while you were making these contributions, though, will continue to earn interest. And of course your pension benefits remain infallible and sound.

For members represented by an employee organization for collective bargaining purposes, this cessation of contributions is retroactive to October 1, 2000, but its full implementation awaits pending contract settlement. This means that, if you had 10 years of membership or 10 years of credited service as of October 1, 2000 — even if you retired after October 1 — you will get a retroactive refund of the contributions you made since that date once the contract between your union and the City of New York is finalized.

This refund will be paid to you in a lump sum. Although not subject to current New York City (if applicable) and State taxes, the payment *will* be subject to federal income taxes. You may want to consult with a tax advisor in order to ameliorate any tax consequences associated with this refund.



WHO PAYS FOR YOUR BENEFITS

Tier 4 benefits are financed by both employee and employer contributions, and by the investment returns on those contributions.

About Employee Contributions To The Basic Tier 4 Plan

All Tier 4 members are required to make regular contributions to BERS equal to 3% of their annual wages. These 3% regular member contributions plus their interest earnings are called the Member Contributions Accumulation Fund (MCAF).

Participants in the early retirement programs (55/25 or 57/5), however, are required to make additional contributions over and above the standard 3%. Once again, please see the 55/25 and 57/5 supplementary sections for details about these requisite additional contributions.

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 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. Current New York City (if applicable) and State income taxes are imposed on your employee contributions all along.

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

About Employer Contributions

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

Your employer also makes FICA contributions on your behalf in an amount equal to your own employee FICA contributions.

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Note that the cost to purchase previous service is not affected by the legislative change to regular employee contributions. That is, if you were to buy back 14 years of prior service, for example, you would still pay the equivalent to 3% of the wages you earned during the entire 14-year period (plus 5% annual compound interest) even though the time period you are claiming surpasses 10 years.

More About Employee Contributions To The Tier 3 Plan

Both Tier 3 and Tier 4 members are required to make regular contributions to BERS equal to 3% of their wages. But due to a change in law effective October 1, 2000, once you have either 10 years of membership or 10 years of credited service — whichever happens first — your contributions of 3% will automatically stop.

The following remains unchanged: neither credit toward retirement nor increase in retirement allowance is granted for service beyond 30 years under Tier 3.

TIER 3 SUPPLEMENT

Who Is Eligible For Tier 3 Benefits

If you joined BERS after July 26, 1976 but before September 1, 1983, you are a Tier 4 member who may elect benefits under Tier 3.

But, you do not have the option of electing Tier 3 benefits if you joined BERS after August 31, 1983 – then you are covered only by Tier 4. Further, you can not mix and merge the provisions of Tier 3 and Tier 4 to modify eligibility requirements under either plan.

In general, Tier 4 offers greater benefits than does Tier 3. Under some circumstances, however, Tier 3 might provide you with greater benefits than would Tier 4; or Tier 3 might be the only benefits to which you are entitled. If you want to retire early, for example, Tier 3 permits service retirement between the ages of 55 and 62 with a reduction in the amount of the benefit, whereas the Basic Tier 4 Plan does not permit service retirement before age 62.

Nevertheless, most features of Tier 3 and Tier 4 are similar or identical. Those features that differ significantly are discussed within this supplementary section.

About Employee Contributions To The Tier 3 Plan

Both Tier 3 and Tier 4 members are required to make regular contributions to BERS equal to 3% of their wages. Under Tier 3, however, members are *not* required to contribute after 30 years of credited service. This is because neither credit toward retirement nor increase in retirement allowance is granted for service beyond 30 years under Tier 3.

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More About Additional Contributions To 55/25

As a participant in 55/25, you are required to make additional member contributions to BERS beyond your regular member contributions equal to 3% of your annual wages. But due to a change in law effective October 1, 2000, once you have either 10 years of membership or 10 years of credited service — whichever happens first — your regular contributions of 3% automatically stop. You are, however, still required to make the additional contributions over and above the standard 3%, whether or not you have 10 or more years of membership or of credited service. So, your requisite additional contributions to 55/25 continue, as before, until you have completed 30 years of credited service (unless, of course, you retire before these 30 years finish).

Further, a change in legislation effective November 21, 2001, decreased these additional contributions to 1.85% of your annual wages. If you are in a physically taxing position, however, you are required to contribute the same added 1.98% of your annual wages as before.

Please see the following tables for further clarification of the changes in your rate of contributions.

Contributions From 10/1/2000 Through 11/20/2001			
Position You Held Through 11/20/01	Regular Contributions	Additional Contributions	Total Contributions
non-physically taxing position	3%	2.85%	5.85%
physically taxing position	3%	2.85% + 1.98%	7.83%
…After 10 Years Of Membership Or 10 Years Of Credited Service			
non-physically taxing position	0%	2.85%	2.85%
physically taxing position	0%	2.85% + 1.98%	4.83%

About The Additional Contributions To 55/25

Beyond your regular member contributions equal to 3% of your annual wages, you are required to make additional member contributions to BERS under 55/25. For service prior to January 1, 1998, this additional contribution is at the rate of 4.35% of your annual wages. Thereafter, the rate is 2.85% of your annual wages. And if you are in a physically taxing position, you are required to contribute another 1.98% of your annual wages over and above the 4.35% or 2.85% and the regular 3%. Please see the table below for further clarification of these contributions.

Contributions Pre-1998			
Position You Held Pre-1998	Regular Contributions	Additional Contributions	Total Contributions
non-physically taxing position	3%	4.35%	7.35%
physically taxing position	3%	4.35% + 1.98%	9.33%

Contributions Post-1997			
Position You Held Post-1997	Regular Contributions	Additional Contributions	Total Contributions
non-physically taxing position	3%	2.85%	5.85%
physically taxing position	3%	2.85% + 1.98%	7.83%

The additional contribution rates apply to wages earned from January 8, 1995 forward.

Your additional contributions are kept in your 55/25 account — separate from your regular 3% contributions in your MCAF account. Usually, just like your regular 3% contributions, your additional contributions are made through payroll deductions before federal taxes are taken out of your paycheck. (The additional contributions will be subject to federal taxes when benefits are paid, or if and when you receive a refund of these contributions.) Also like your regular 3% contributions, your additional contributions incur current New York City (if applicable) and State income taxes. You continue to make additional contributions until you have completed 30 years of credited service.

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Contributions Beginning 11/21/2001			
Position You Held Beginning 11/21/01	Regular Contributions	Additional Contributions	Total Contributions
non-physically taxing position	3%	1.85%	4.85%
physically taxing position	3%	1.85% + 1.98%	6.83%
…After 10 Years Of Membership Or 10 Years Of Credited Service			
non-physically taxing position	0%	1.85%	1.85%
physically taxing position	0%	1.85% + 1.98%	3.83%

More About Additional Contributions To 57/5

As a participant in 57/5, you are required to make additional member contributions to BERS beyond your regular member contributions equal to 3% of your annual wages. But due to a change in law effective October 1, 2000, once you have either 10 years of membership or 10 years of credited service — whichever happens first — your regular contributions of 3% automatically stop. You are, however, still required to make the additional contributions over and above the standard 3%, whether or not you have 10 or more years of membership or of credited service. So, your requisite additional contributions to 57/5 continue, as before, until you have completed 30 years of credited service (unless, of course, you retire before these 30 years finish).

Further, a change in legislation effective November 21, 2001, decreased these additional contributions to 1.85% of your annual wages. If you are in a physically taxing position, however, you are required to contribute the same added 1.98% of your annual wages as before.

Please see the following tables for further clarification of the changes in your rate of contributions.

Contributions From 10/1/2000 Through 11/20/2001			
Position You Held Through 11/20/01	**Regular Contributions**	**Additional Contributions**	**Total Contributions**
non-physically taxing position	3%	2.85%	5.85%
physically taxing position	3%	2.85% + 1.98%	7.83%
…After 10 Years Of Membership Or 10 Years Of Credited Service			
non-physically taxing position	0%	2.85%	2.85%
physically taxing position	0%	2.85% + 1.98%	4.83%

57/5

About The Additional Contributions To 57/5

Beyond your regular member contributions equal to 3% of your annual wages, you are required to make additional member contributions to BERS under 57/5 until you have completed 30 years of credited service. For service prior to January 1, 1998, this additional contribution is at the rate of 4.35% of your annual wages. Thereafter, the rate is 2.85% of your annual wages. And if you are in a physically taxing position, you are required to contribute another 1.98% of your annual wages over and above the 4.35% or 2.85% of compensation and the regular 3%. Please see the table below for further clarification of these contributions.

Contributions Pre-1998			
Position You Held Pre-1998	Regular Contributions	Additional Contributions	Total Contributions
non-physically taxing position	3%	4.35%	7.35%
physically taxing position	3%	4.35% + 1.98%	9.33%

Contributions Post-1997			
Position You Held Post-1997	Regular Contributions	Additional Contributions	Total Contributions
non-physically taxing position	3%	2.85%	5.85%
physically taxing position	3%	2.85% + 1.98%	7.83%

The additional contribution rates apply to wages earned from *all* credited service — that is, whether service rendered before or after the enactment date of the Age 57 Retirement Program.

Your additional contributions are kept in your 57/5 account – separate from your regular 3% contributions in your MCAF account. Usually, just like your regular 3% contributions, your additional contributions are made through payroll deductions before federal taxes are taken out of your paycheck. (The additional contributions will be subject to federal taxes when benefits are paid, or if and when you receive a refund of these contributions.) Also like your regular 3% contributions, your additional contributions incur current New York City (if applicable) and State income taxes. You continue to make additional contributions until you have completed 30 years of credited service.

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Contributions Beginning 11/21/2001			
Position You Held Beginning 11/21/01	Regular Contributions	Additional Contributions	Total Contributions
non-physically taxing position	3%	1.85%	4.85%
physically taxing position	3%	1.85% + 1.98%	6.83%

…After 10 Years Of Membership Or 10 Years Of Credited Service			
non-physically taxing position	0%	1.85%	1.85%
physically taxing position	0%	1.85% + 1.98%	3.83%

MORE ON "BUYING BACK" PREVIOUS SERVICE

When You Receive Credit For Previous Service Now

Due to a change in law effective October 1, 2000, you now only need to have two years of membership service to get credit for your previous service. (The minimum requirement used to be five years.) As was the case before, you can claim and pay for the previous service at any time, but remember that you will not receive credit for it until you have completed two years of membership service with BERS.

So, this means that if you have two years of membership service and you buy back three years of prior service — voilà! — you are then vested, since you will have the five years required. Membership service, as before, includes credited service that you may have transferred to BERS from another public retirement system of the City or State of New York. (So now Mr. Nelson — see page eight of the Tier 4 SPD — would only need *two* years of BERS membership to apply his service from the other system toward his retirement.) Part-timers remember that for you, "two years" do not mean two calendar years.

For those members represented by an employee organization for collective bargaining purposes, the accreditation of previous service at two versus five years of membership service is retroactive to October 1, 2000. But its full implementation awaits pending contract settlement. This means that, even if you purchase your prior service and already have two years of membership service, you will not get credit for it until the contract between your union and the City of New York is finalized.

And under the provisions of tier reinstatement, you must have completed two years (versus five) of membership service with BERS to apply service credited to you during your membership (that ceased) in another New York City or State public employee retirement system.

How Much It Costs To Buy Back Previous Service

The cost to purchase credit for previous service is equal to 3% of the wages you earned during the period(s) of prior service that you are claiming, plus 5% annual compound interest. The interest covers the time period starting from the dates of such service up to the date that full payment is made to BERS. Participants in the Tier 4 early retirement programs may also be required to pay additional member contributions on all or on a part of the prior service credit they purchase. (Once again, please see the supplementary sections for further details on early retirement programs.)

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

And if, under the provisions of tier reinstatement, you want to apply service credited to you during your membership (that ceased) in BERS or another New York City or State public employee retirement system, then you must repay any contributions that were refunded to you, plus 5% compound interest from the date of refund. Further, you must make this payment to BERS in a lump sum.

When You Receive Credit For Previous Service

You can claim and pay for the previous service at any time, but remember that you will not receive credit for it until you have completed five years of membership service with BERS.

Such membership service includes credited service that you may have transferred to BERS from another public retirement system of the City or State of New York. Part-timers should remember that for them, "five years" do not mean five calendar years.

You must also have completed five years of membership service with BERS, under the provisions of tier reinstatement, to apply service credited to you during your membership (that ceased) in another New York City or State public employee retirement system.

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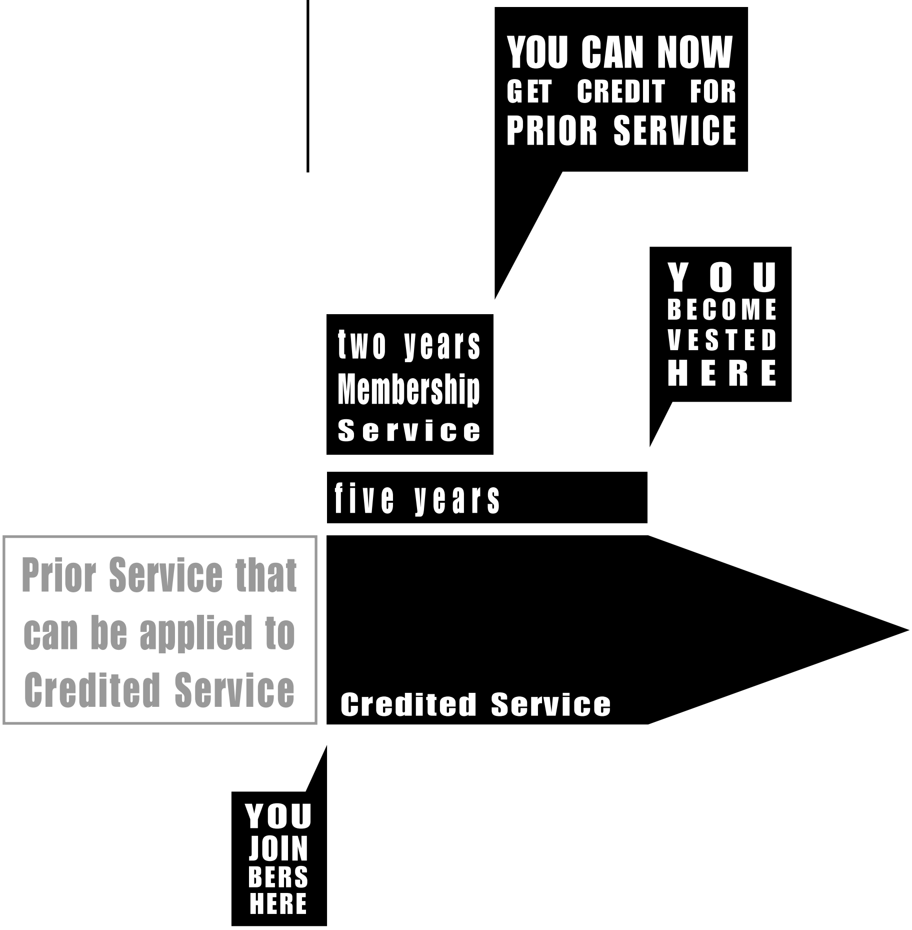
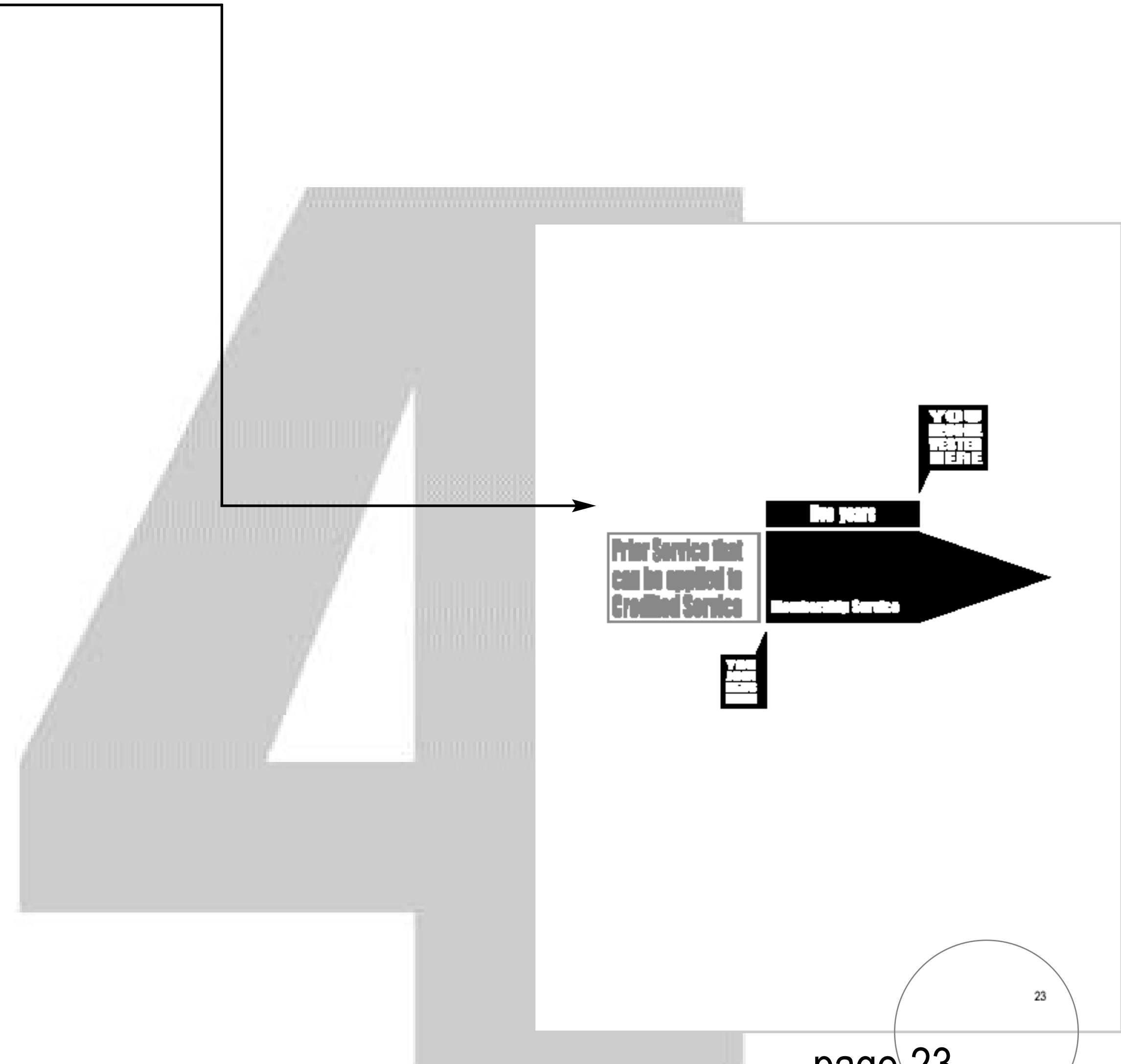

YOU CAN NOW GET CREDIT FOR PRIOR SERVICE
Y O U BECOME VESTED HERE
two years Membership Service
five years
Prior Service that can be applied to Credited Service
Credited Service
YOU JOIN BERS HERE


five years
Prior Service that can be applied to Credited Service
Membership Service
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Who Is Now Eligible To Buy Back Previous Service (But Was NOT Eligible Before)

Due to the same change in legislation affecting previous service just described and effective October 1, 2000, you may now be eligible to purchase credit for previous service — whereas you were not before — under the following sets of circumstances:

- even if you have a break in New York public service, and
- you do not join BERS before the break in service, and
- you re-enter the service of a covered employer,

then you may still be able to buy back the previous service you performed before the break.

Also,

- if you terminate New York public service, and
- you do not join BERS before your termination, and
- you enter service with another covered employer,

then you may still be able to buy back the previous service you performed before your termination.

Take note: although your previous service could have been rendered with any public employer in the City or State of New York, it must be service that would have qualified for retirement credit had you been a member of a New York public employee retirement system at that time.

Again, if you are represented by an employee organization for collective bargaining purposes, the conditions outlined above are retroactive to October 1, 2000. But their full implementation awaits pending contract settlement between your union and the City of New York.

Who Is NOT Eligible To Buy Back Previous Service

You can not purchase credit for certain previous service under the following sets of circumstances:

- if you have a break in service with a covered employer, and
- you do not join BERS before the break in service, and
- you re-enter the service of that employer,

then you will not be able to buy back the previous service you performed before the break.

Also,

- if you terminate service with a covered employer, and
- you do not join BERS before your termination, and
- you enter service with another covered employer,

then you will not be able to buy back the previous service you performed before your termination.

Take note: an approved leave of absence is neither a termination nor a break in service.

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MILITARY SERVICE CREDIT CLARIFIED

According to legislation enacted in 2000, Military Service is active duty that may be eligible for retirement credit and that was served in one of the armed forces of the United States during certain periods of conflict. These periods of conflict are the following:

- 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, the United Arab Emirates, Oman, the Gulf of Aden, the Gulf of Oman, the Persian Gulf, the Red Sea, and the airspace above these locations (8/2/90 until the end of such hostilities).

If honorably discharged, you can apply for 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.

You must purchase credit for such service and you must have at least five years of credited service to be eligible to receive this credit. The cost of military service is this:

3% of the salary you earned 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.

You can purchase your military credit either through payroll deductions or in a lump sum. And you can make these payments at any time before your retirement.

such service is transferred, it becomes membership service with BERS. You should consult with your former retirement system and with BERS concerning restrictions on transferred service.

Part-time Service (past or present) is service rendered while you were employed by the Board 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 any of the following work schedules apply to you:

(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 or 1170 hours 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.

> The case of Ms. Smith, a part-time office aide, is a good example of how part-time service is prorated:
>
> Due to all kinds of familial responsibilities, she only worked 608 hours during the last year; if the sparseness of her hours continues, then she will take three years to complete one year's worth of credited service.

Also 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. To illustrate using work schedule (a) above: even if you were to have worked more than 1827 hours during a calendar year, 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.

Military Service is certain duty served in one of the armed forces of the United States that may meet the legal requirements allowing you to apply it toward your retirement. You must purchase credit for such service. You should contact BERS regarding both cost of and eligibility requirements for your military service.

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Do note that the payments for military credit are considered *employer contributions* and will, consequently, *not* be deposited into your MCAF 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, withdraw, or receive a refund of your payments for military credit.

Also be aware 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 this new law. This means that the very same military duty can *not* be counted toward retirement credit twice.

ABOUT CHANGES TO ORDINARY DEATH BENEFITS

Due to legislation effective October 1, 2000, the election of Death Benefit Plan 1 or Death Benefit Plan 2 is obsolete. Only Death Benefit Plan 2 will apply for any member who joins or rejoins BERS after January 1, 2001. When joining or rejoining BERS, you still must choose and identify your beneficiary or beneficiaries. As was the case before, you can name any person you wish (such as a family member or friend) or entity (such as a charity or other organization of meaning to you) as your beneficiary. Also as before, you can change your selection of beneficiaries at any time up until you retire.

But even if you had already chosen Death Benefit Plan 1, the benefits under Plan 2 would be paid to your survivors, unless the benefits under Plan 1 prove greater. (And for vested members who are *not* in active service — see page 42 of the Tier 4 SPD — now only Death Benefit Plan 2 would apply as well.)

Again, for those of you who are represented by an employee organization for collective bargaining purposes, the full implementation of this law awaits pending contract settlement between your union and the City of New York. But if you were to die before such contract settlement and you had chosen Death Benefit Plan 1, then your survivors would be paid any additional amount due under Death Benefit Plan 2 once the contract is settled.

Naming A Beneficiary

On the Election Of Death Benefit/Designation of Beneficiary form, which you have to complete when enrolling, you must elect either Death Benefit Plan 1 or Plan 2 (both of which will be described later in this book). At this point you must choose and identify your beneficiary or beneficiaries — clearly a very important decision — so that any Ordinary Death Benefit due will be paid to your survivors according to your wishes.

Your election of Death Benefit Plan 1 or Plan 2 can *never* be changed so long as you remain a member of BERS, but 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 look over most carefully) indicates your current beneficiary information — make sure it is what you intend.

When you retire, you will have to select beneficiaries once more. This step will be further explained in the chapters "How To File For Retirement Benefits" and "How Benefits Are Paid."

Take note that you can choose separate beneficiaries for any Tax-Deferred Annuity (TDA) contributions you may have made. (For further information about TDA, see the chapter "About The Tax-Deferred Annuity Program.")

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WHAT IF YOU DIE BEFORE RETIREMENT

Death Benefits

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

One of four 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
- **Alternative Death Benefit For Members Who Joined BERS Before July 26, 1986**
  to be paid to your designated beneficiary(ies); or
- **Death Benefit For Vested Members NOT In Active Service**
  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 Benefits

Upon joining BERS, you are required to choose between Death Benefit Plan 1 and Death Benefit Plan 2. As you recall, your choice of Death Benefit Plan 1 or 2 can *never* be changed so long as you remain a member of BERS.

Ordinary Death Benefits would be paid to your beneficiary provided that one of the following two scenarios applies to you at the time of your death:

Scenario 1

- you die while in active service, and
- you had at least one year of credited service, and
- your death is not job-related.

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Again, there is no longer a choice between Death Benefit Plan 1 and Death Benefit Plan 2. Death Benefit Plan 2 would be paid to your beneficiary — regardless of what you picked when joining or rejoining BERS — unless Death Benefit Plan 1 proves greater. Furthermore, Death Benefit Plan 2 has generally been deemed the better of the two plans.

Scenario 2

- ► you are off the payroll or on leave, but
- ► you were on the payroll, in active service, and paid within 12 months before your death, and
- ► you were not gainfully employed since you were last on said payroll, and
- ► you had at least one year of credited service, and
- ► your death is not job-related.

Then, your beneficiary receives one of the benefits described next — either Death Benefit Plan 1 or Death Benefit Plan 2, whichever you selected.

Death Benefit Plan 1

If you chose Death Benefit Plan 1, the lump sum benefit would equal the following:

- ► your Membership Contributions Accumulation Fund (MCAF)

  plus

  one month's salary **x** number of years of credited service up to a maximum of 36 years;

  or

- ► provided that you were eligible for a service retirement benefit, and it is greater than the above — then, your MCAF

  plus

  the value of the employer portion (as determined by the Actuary) of the retirement benefits that would have been due you if you had retired on the day before your death.

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BENEFICIARY SELECTION

First Designation

When you join BERS, you must designate beneficiaries for either Death Benefit Plan 1 or Death Benefit Plan 2

Second Designation

At any time during your membership, you can change beneficiaries

Retirement Designation

At retirement you make up to two designations

1 Temporary Beneficiaries
2 Option Beneficiaries

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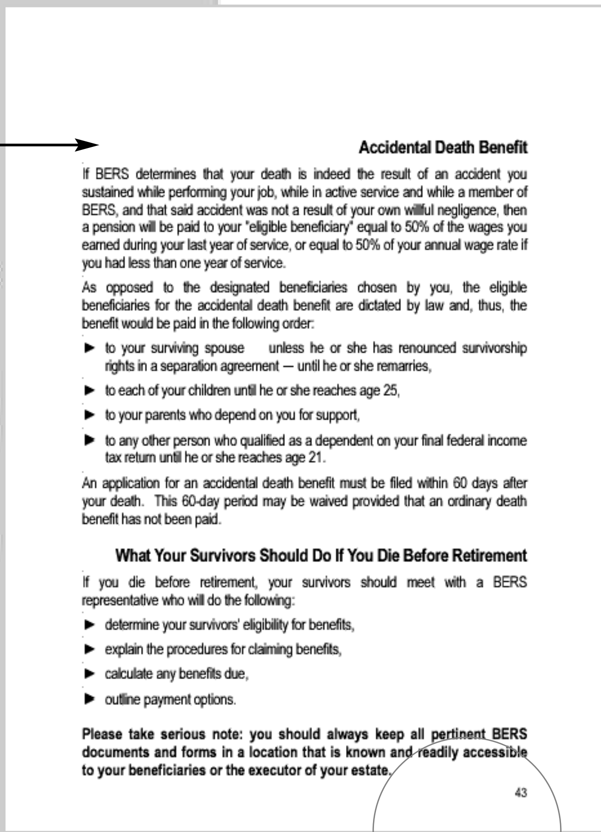
ADDITIONAL BENEFICIARIES ELIGIBLE FOR ACCIDENTAL DEATH BENEFIT

Due to legislation effective August 30, 2000, a new category of beneficiaries has been added to the list of those eligible to receive the accidental death benefit. As opposed to regular designated beneficiaries, these "eligible beneficiaries" are defined and dictated by law and, thus, the benefit would be paid in the following order:

- ► to your surviving spouse — unless he or she has renounced survivorship rights in a separation agreement — until he or she remarries,
- ► to each of your children until he or she reaches age 25,
- ► to your parents who depend on you for support,
- ► to any other person who qualified as a dependent on your final federal income tax return until he or she reaches age 21,
- ► then (if none of the above eligible beneficiaries exist) to the designated beneficiary or beneficiaries chosen by you.

As was the case before, if the requirements for the accidental death benefit are met, a pension will be paid to your eligible beneficiary equal to 50% of the wages you earned during your last year of service, or equal to 50% of your annual wage rate if you had less than one year of service.

Also as before, 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.



Accidental Death Benefit

If BERS determines that your death is indeed 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 a pension will be paid to your "eligible beneficiary" equal to 50% of the wages you earned during your last year of service, or equal to 50% of your annual wage rate if you had less than one year of service.

As opposed to the designated beneficiaries chosen by you, the eligible beneficiaries for the accidental death benefit are dictated by law and, thus, the benefit would be paid in the following order:

- to your surviving spouse unless he or she has renounced survivorship rights in a separation agreement — until he or she remarries,
- to each of your children until he or she reaches age 25,
- to your parents who depend on you for support,
- to any other person who qualified as a dependent on your final federal income tax return until he or she reaches age 21.

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.

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And again, 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.

TIER 3 ORDINARY DEATH BENEFIT INCREASED

Tier 3 lump sum Ordinary Death Benefits are capped at maximum amounts that are increased on a yearly basis and are escalated by up to 3% each year based on increases and decreases in the cost-of-living index.

If you die before age 60, the maximum lump sum death benefit under Tier 3 is now calculated as follows:

Number Of Years Of Credited Service	Amount Of Lump Sum Benefit (As Of 4/1/2001)
1 year but less than 2 years	one year s current salary, but not in excess of $38,400
2 years but less than 3 years	two x current salary, but not in excess of $76,700
3 or more years	three x current salary, but not in excess of $95,900

You pay for the additional protection afforded by the Tier 3 Survivor Annuity Benefit: to finance the cost of the survivor annuity, the Tier 3 benefits payable to you or to your survivor are reduced according to actuarial calculations (considering factors such as the life expectancy of your beneficiary, for example).

Tier 3 Ordinary Death Benefit

Although death benefits under both Tier 3 and Tier 4 are calculated in the same way for the most part, there are some notable differences. Unlike Tier 4 death benefits whose amounts are not limited, Tier 3 lump sum Ordinary Death Benefits are capped at maximum amounts. These maximum amounts are escalated by up to 3% each year based on increases and decreases in the cost-of-living index; Tier 4 death benefits are not so escalated.

If you die before age 60, the maximum lump sum death benefit under Tier 3 is calculated as follows:

Number Of Years Of Credited Service	Amount Of Lump Sum Benefit (As Of 4/1/2000)
1 year but less than 2 years	one year's current salary, but not in excess of $37,300
2 years but less than 3 years	two **x** current salary, but not in excess of $74,500
3 or more years	three **x** current salary, but not in excess of $93,100

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RSSL 212 EARNINGS AMOUNT INCREASED

Due to periodic increases in the RSSL Section 212 earnings limitation amount by the State Legislature, this amount has been raised to $25,000 per year as of this printing.

But, as was the case before, 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.

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.

What New York public service does include is this: any employment with the State of New York, or with any county, town, village, school district, special district, or public authority within the State, or with the City of New York, including the Board of Education.

If you return to work within New York public service, your retirement allowance will 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 ($17,000 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 70 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.

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

(a) $50,000 minus your highest combined Tier 3 or 4, TDA, and 55/25 or 57/5 outstanding loan balance during the last twelve months; or

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

(c) The greater of (1) 50% of your MCAF, TDA, and 55/25 or 57/5 accounts; or (2) $10,000 minus your current combined outstanding loan balance.

Interest Rate: The interest rate for all Tier 3 or 4 loans taken after June 30, 1995 is 7.75%. If you request a new loan, any outstanding loan balance will be considered part of the new loan at 7.75% interest. 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 a $40 service charge to process a loan. This charge is used to pay for the administrative costs of the Tier 3 or 4 loan program. The service charge will be considered an additional loan amount when calculating the terms of the loan (that is, duration and repayment). If you are eligible for and you request a $50,000 loan, you will receive a check for $49,960 – to avoid exceeding the $50,000 loan maximum – when the $40 service charge is added to the loan. If you are eligible for and you request a $10,000 loan, you will receive a check for $10,000. Repayments will be calculated on $10,040 the $40 service charge plus the loan amount. When you apply for the loan, you also have the option to pay the service charge by certified check or money order (personal checks will not be accepted) to avoid having the service charge included in the monthly repayment amount.

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LOAN INTEREST RATE LOWERED

The interest rate is now 7% for all Tier 4, Tier 3, 55/25, and 57/5 loans taken on or after July 1, 1999 through June 30, 2004. If you request a new loan, any outstanding loan balance will be considered part of the new loan at 7% interest.

This interest rate may change again in the future based on reviews conducted every five years by the Chief Actuary of the City of New York, and on subsequent legislation.

55/25 & 57/5

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

(a) $50,000 minus your highest combined Tier 3 or 4, TDA, and 55/25 or 57/5 outstanding loan balance during the last 12 months; or

(b) 75% of your 55/25 or 57/5 account balance minus your current outstanding loan balance; or

(c) The greater of (1) 50% of your MCAF, TDA, and 55/25 or 57/5 accounts; or (2) $10,000 minus your current combined outstanding loan balance.

Interest Rate: The interest rate for all 55/25 or 57/5 loans is 7.75%. 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 a $40 service charge to process a loan. This charge is used to pay for the administrative costs of the 55/25 or 57/5 loan program. The service charge will be considered an additional loan amount when calculating the terms of the loan (that is, duration and repayment). If you are eligible for and you request a $50,000 loan, you will receive a check for $49,960 – to avoid exceeding the $50,000 loan maximum – when the $40 service charge is added to the loan. If you are eligible for and you request a $10,000 loan, you will receive a check for $10,000. Repayments will be calculated on $10,040 – the $40 service charge plus the loan amount. When you apply for the loan, you also have the option to pay the service charge by certified check or money order (personal checks will not be accepted) to avoid having the service charge included in the monthly repayment amount.

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