



# **10 Things Even *You* May Not Know About NYSTRS Benefits**

**Annual Delegates Meeting**

**November 8 – 9, 2009**

**1<sup>st</sup> Thing You May Not Know...**

**NYSTRS  
Confidentiality  
Policy**



# **NYSTRS Confidentiality Policy**

- **The System's release of information contained in member records is governed by the Freedom of Information Law (FOIL).**
- **Since NYSTRS members are public educators with salaries and benefits paid for with state taxpayer dollars, much of our members' employment and benefit information is considered a matter of public record.**

# **Public** Information Under FOIL

- **Membership Date and Tier**
- **Employer, Service Credit, Contract Salary**
- **Final Average Salary**
- **Maximum Pension**
- **Date of Retirement (after your application can no longer be rescinded)**

# Release of **Public** Information

- **In person with photo ID**
- **Mailed to address on file with NYSTRS**
- **Sent via fax with written authorization**
- **By phone if member provides certain identifying information (including the EmplID or Social Security number)**
- **Third party requests pursuant to FOIL**

# **Personal** Information Under FOIL

- **EmplID and Social Security Number**
- **Contribution Balance**
- **Beneficiaries**
- **Address**
- **Date of Birth**
- **Option Choice for Pension Benefit**
- **Banking Information**

# Release of **Personal** Information

- **In person with photo ID**
- **Mailed to address on file with NYSTRS**
- **Sent via fax with written authorization**

**Personal information *cannot* be released over the phone or through e-mail.**

**2<sup>nd</sup> Thing You May Not Know...**

**Service Credit Rules  
for SUNY Graduate  
and Teaching  
Assistants**



THE STATE UNIVERSITY *of* NEW YORK

# **Service Credit for SUNY Graduate & Teaching Assistants**

**Your service would be creditable if:**

**A) It was before the 1982-1983 school year; or**

**B) It was from the 1991-1992 school year forward; or**

**C) You were a member before the 1982-1983 school year, earning credit as a SUNY graduate assistant or teaching assistant, and the assistant service continued beyond the 1982-1983 school year.**

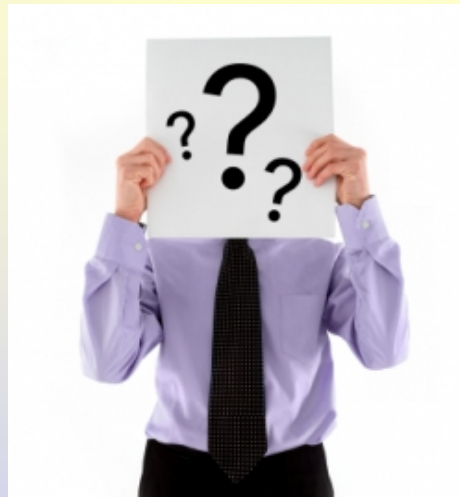
# **Service Credit for SUNY Graduate & Teaching Assistants**

**1982 - Based on a 1982 agreement with SUNY Central Administration, service as a graduate or teaching assistant was deemed no longer creditable in any NYS public retirement system.**

**1991- Public Employees Relations Board determined that SUNY graduate & teaching assistants should be considered public employees. This decision was not retroactive.**

**3<sup>rd</sup> Thing You May Not Know...**

# **Prior Subsequent Service**



# **Prior Subsequent Service**

- If members have eligible prior service that has not yet been credited, and then reinstate or transfer an earlier date of membership to NYSTRS...**
- The “prior” service would now be “subsequent” to their membership date, and no longer meet the criteria for prior service.**
- However, members can still receive credit for that time because it is considered to be Prior Subsequent service. The same forms and payment rules apply to claim this service credit.**

# **NYC Subsequent Service**

**Chapter 352 of the Laws of 2002 allows current members to receive credit for NYC teaching service if:**

- **NYC service was rendered before July 1, 1990 but after your current date of membership in NYSTRS; and**
- **You were not able to join the NYC Teachers' or Board of Education Retirement Systems.**

This form is available on the “Forms” page of our Web site.

MAC-79 (10/04)

OFFICE SERVICES ONLY



**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM**  
**10 Corporate Woods Drive, Albany, NY 12211-2395**

### NEW YORK CITY SUBSEQUENT SERVICE UNDER CHAPTER 352 OF THE LAWS OF 2002

Chapter 352 allows current members to receive credit for NYC teaching service if:

- Your City service was rendered **before** July 1, 1990 but **after** your current date of membership in NYSTRS.

**AND** • You were not able to join the City Teachers' or Board of Education Retirement Systems.

*TO THE MEMBER: Please type or print in ink all items in Part 1 and 2 of this form and then forward it to the New York City Department of Education for completion of Part 3 on back of form.*

**ADDRESS:** New York City Department of Education  
 Division of Financial Operations  
 Office of Employment Records Research  
 65 Court Street - Room 1703  
 Brooklyn, NY 11201

PART 1			
Date	NYC File Number	Social Security Number	
First Name	MI	Last Name	Maiden Name(s)
Home Address		Apt. Number	Day Time Phone Number
City		State	Zip Code
Email Address		Employee Signature	

PART 2			
Type of Service (Check all that apply)	Dates of Employment Month, Day, Year From - To	School/Office (Location of Employment)	District/Baro
<input type="checkbox"/> Regular Teacher	-		
<input type="checkbox"/> Regular Substitute	-		
<input type="checkbox"/> Per Diem	-		
<input type="checkbox"/> Evening Community Center	-		
<input type="checkbox"/> After School Playground	-		
<input type="checkbox"/> Vacation Playground	-		
<input type="checkbox"/> Youth Board	-		
<input type="checkbox"/> Hourly School Lunch (E741)	-		
<input type="checkbox"/> Paraprofessional (E743)	-		
<input type="checkbox"/> School Aides, Guards (E744)	-		
<input type="checkbox"/> Administrative (J740 or H740)	-		
<input type="checkbox"/> Annual School Lunch	-		
<input type="checkbox"/> Hourly Admin Mechanics (Z740)	-		
<input type="checkbox"/> Other (Specify)	-		

Include additional information and unique requests in the comment box below.

Only service performed during time periods when employee was not a member of a retirement system can be verified by the Office of Employment Records Research.

# 4<sup>th</sup> Thing You May Not Know...

## When is a Reinstatement *NOT* Beneficial



# Tier 1 & 2: Service Reduction With Less Than 20 Years

Example: Age 62 with 12 years of service credit

## Tier 4 Calculation

$12 \times 1 \frac{2}{3} \% = \mathbf{20\%}$  of FAS

## Tier 1 and 2 Calculation

$[(12 + 1 \text{ year Art. 19}) \times 2\%] \times 65\%$  (service reduction) =  $\mathbf{16.9\%}$  of FAS

# **Tier 2: Service Reduction *AND* Age Reduction Under 62 With Less Than 20 Years of Service Credit**

Example: Age 58 with 12 years of service credit

## **Tier 4 Calculation:**

$12 \times 1 \frac{2}{3}\% \times 82\%$  (age reduction) = **16.4%** of FAS

## **Tier 2 Calculation:**

$(12 + 1 \text{ year Art. 19}) \times 2\% \times 65\%$  (service reduction)  $\times 82\%$  (age reduction) = **13.9%** of FAS

# **Tier 1: Generally a Smaller In-Service Death Benefit *AND* No Post-Retirement Death Benefit**

Example: Age 60 with 12 years of Service Credit and \$60,000 Annual Salary

**Tier 2, 3 or 4 In-Service Death Benefit:**

$\$60,000 \times 3 = \$180,000$

**If eligible, coverage continues into retirement at a reduced rate.**

**Tier 1 In-Service Death Benefit:**

$\$60,000 \times 12/12 = \$60,000$

**No post-retirement death benefit**

# **In-Service Death Benefit Coverage May Determine *When To Reinstate***

**In a situation where the Tier 1 pension calculation is better than the Tier 3 or 4 pension calculation, but the In-Service Death Benefit is higher under Tier 3 or 4, members may choose to wait until just before retiring to reinstate their former Tier 1 membership.**

# **Tier 1: Same Pension Calculation as Tier 2 AND No Post-Retirement Death Benefit**

Example: Age 60 with 30 years of Service Credit

**Tier 2 Pension Calculation:  
60% of FAS**

**If eligible, Paragraph 2  
Death Benefit continues  
into retirement at a  
reduced rate.**

**Tier 1 Pension Calculation:  
60% of FAS**

**No post-retirement death  
benefit**

# **5<sup>th</sup> Thing You May Not Know...**

**Situations Where the  
Paragraph 2 Death Benefit  
Does *NOT* Continue Into  
Retirement**



# Paragraph 2 Death Benefit (Tiers 2, 3, and 4)

Generally, your Final Salary x Service (up to 3 years)

<b>Years of Service</b>	<b>Death Benefit Calculation (assuming \$50,000 Final Salary)</b>
<b>1</b>	<b>1 x \$50,000 = \$50,000</b>
<b>2</b>	<b>2 x \$50,000 = \$100,000</b>
<b>3</b>	<b>3 x \$50,000 = \$150,000</b>

# **Eligibility for Post-Retirement Coverage**

**To be eligible for the continued coverage in retirement:**

- You must retire no later than one year after you leave the payroll.**
- Gainful employment, other than teaching, between the date you ceased teaching and the date of retirement will jeopardize your eligibility for this benefit.**

# Coverage May Continue into Retirement as Follows:

<b>First Year</b>	<b>50% of the death benefit in effect at retirement</b>
<b>Second Year</b>	<b>25% of the death benefit in effect at retirement</b>
<b>Third &amp; Ensuing Years</b>	<b>10% of the death benefit in effect at age 60 or at retirement, if earlier</b>

**Assuming a \$50,000 final salary, the post-retirement coverage would be \$15,000 during the third and ensuing years.**

# 6<sup>th</sup> Thing You May Not Know...

**A 3-Year FAS Actually  
Covers *FIVE* Years\* Due  
to the FAS Test Years**



\* Four Years for Tier 1 Members

# **Salary Increase Limitations in the Final Average Salary Calculation**

**Excluded from the Three-Year FAS calculation are yearly increases in regular salary exceeding the following limits:**

- Tier 1: 20% of the previous year's salary.**
- Tier 2: 20% of the average of the previous two years' salaries.**
- Tiers 3 and 4: 10% of the average of the previous two years' salaries.**

# Sample Tier 4 FAS Calculation

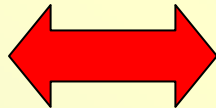
'09-'10 - \$75,000

Average of '05-'06 and '06-'07 = \$61,000

'08-'09 - \$73,000

\$61,000 X 1.10 = \$67,100

'07-'08 - \$72,000



So, the limit for '07-'08 = \$67,100

'06-'07 - \$62,000

FAS = \$71,700 (*not* \$73,333)

'05-'06 - \$60,000

**The best way to maximize your 3-Year FAS is to do extra work over your last 5 years (or the last 4 years for Tier 1).**

**7<sup>th</sup> Thing You May Not Know...**

**Filing an  
*Application for Disability  
Retirement*  
for Protection**



# **Filing an *Application for Disability Retirement* for Protection**

**If you have at least 10 years of service credit *and* you have a serious illness or condition, or you're going in for major surgery but you're planning to keep working...**

**The best way to protect your beneficiary(ies) may be to file an *Application for Disability Retirement* for protection.**

# ***Filing an Application for Disability Retirement for Protection***

- For a Tier 4 member, age 50 with 24 years of service and a salary of \$70,000, who dies in service, the death benefit would be: **\$210,000**

The beneficiary would also receive a refund of the member's accumulated contributions: **\$35,000**

The total payment would be: **\$245,000**

- Under a disability retirement, the Largest Non-Declining Lump Sum Option would provide a beneficiary payment of: **\$200,000**

The Paragraph 2 death benefit during the first year of retirement would be: **\$105,000**

The total payment would be: **\$305,000**

**Difference of \$60,000**

# **Filing an *Application for Disability Retirement* for Protection**

- For a Tier 1 member, age 50 with 24 years of service and a salary of \$70,000, who stays on payroll and dies in service, the death benefit would be: **\$140,000**
- Under a disability retirement, the Declining Reserve option (assuming member dies soon into retirement) would provide a beneficiary payment of: **\$390,000**

**Difference of \$250,000**

# Procedure

- **Contact NYSTRS' Disability Unit at (800) 348-7298, Ext. 6010.**
- **File an *Application for Disability Retirement* and *Medical Information Summary* form.**
- **Leave the Date of Retirement blank and note on the first page of the application, or in a separate cover letter, that you are filing for protection only.**
- **You must list your condition and choose the appropriate option for your tier (Largest Lump Sum for Tiers 2, 3, and 4; or Declining Reserve for Tier 1).**

**If you pass away as a result of the illness or condition listed on your application, NYSTRS will consider you retired on the day before your death and pay the highest benefit allowed under the disability retirement formula.**

**I AM APPLYING FOR DISABILITY RETIREMENT DUE TO THE FOLLOWING ILLNESS OR CONDITION (briefly describe):**

*If you are critically ill and wish to provide the largest lump sum payment to your beneficiary, you should elect the Declining Reserve 4% (Tier 1 members only) or the Largest Lump Sum (Tier 2, 3, 4 members) in the Benefit Election portion below.*

### RETIREMENT BENEFIT ELECTION

Please review the option descriptions on page 5 and check one box below for the form of benefit you want.

**Maximum** - Do not designate a beneficiary if you select this option.

\* **LUMP SUM OPTIONS**

**Annuity Reserve** (Tier 1 & 2 Only)

**Declining Reserve 4%** (Tier 1 Only)

**Largest Lump Sum**

(Tier 1 members should note that the payment to a beneficiary under this option is less than the initial payment under the Declining Reserve 4%. However, this option provides the largest fixed lump sum payment at death.)

**GUARANTEE OPTIONS**

**5 Year**

**10 Year**

**SURVIVOR OPTIONS**

**100%**

**50%**

**75%**

**25%**

**POP-UP**

**100%**

**50%**

**75%**

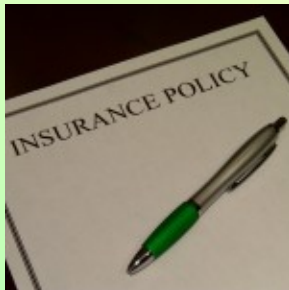
**25%**

# After You File the Application

- **You can remain on payroll with your employer.**
- **Your *Application for Disability Retirement* can remain on file indefinitely, but must be rescinded before you can retire under a service retirement.**

# 8<sup>th</sup> Thing You May Not Know...

## Choosing a Non-Declining Lump Sum Benefit Amount Other than the Largest Lump Sum



# **Alternative Lump Sum Payment to Beneficiary**

- **You can choose any amount less than the maximum non-declining lump sum.**
- **Cost is calculated using a “Cost Per Thousand.”**

# Cost Per Thousand

## NEW YORK STATE TEACHERS' RETIREMENT SYSTEM ESTIMATE OF ANNUAL SERVICE RETIREMENT BENEFITS

NAME	John Member	
Date of Birth		12/25/1950
Retirement Date		07/01/2010
Cease Teaching Date		06/30/2010

### Service Credit

New York Pre – 1959	0-0
New York Post – 1959	30-0
Out-of-State	0-0
Total Service	30-0

Pension Factor	60.00%
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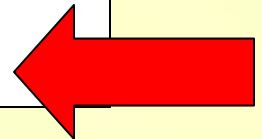
Final Average <u>Salary</u> <u>3</u> Year	\$ 85,098
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### MAXIMUM BENEFIT – NO PAYMENT TO A BENEFICIARY

Pension	\$ 51,059
Annuity Return	N/A
Maximum Benefit	\$ 51,059

### LARGEST NON-DECLINING LUMP SUM PAYMENT TO A BENEFICIARY

Member Benefit	\$ 38,585
Beneficiary Payment	\$ 570,736
Cost per \$1000	\$ 21.86



# Sample Cost Per Thousand Calculation

## LARGEST NON-DECLINING LUMP SUM PAYMENT TO A BENEFICIARY

Member Benefit	\$ 38,585
Beneficiary Payment	\$ 570,736
Cost per \$1000	\$ 21.86



### Example: \$100,000 Lump Sum Payment to a Beneficiary

$100 \times \$21.86 = \$2,186$  annual reduction from Maximum Benefit

**\$51,059 Maximum Benefit**

**- 2,186 Annual Reduction**

**\$48,873 Optional Pension**

# Alternative Lump Sum Payment to Beneficiary

Indicate desired lump sum on *Application for Retirement*.

## RETIREMENT BENEFIT ELECTION

Please review the option descriptions on page 5 and ***check one box below*** for the form of benefit you want.

**Maximum** - Do ***not*** designate a beneficiary if you select this option.

### Lump Sum Options

- Annuity Reserve (Tier 1 & 2 Only)
- Declining Reserve 4% (Tier 1 Only)
- Largest Lump Sum

### Guarantee Options

- 5 Year
- 10 Year

### Survivor Options

- 100%     50%
- 75%      25%

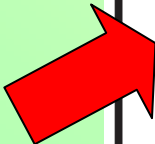
### Pop-up Survivor Options

- 100%    50%
- 75%     25%

(Tier 1 members should note that the payment to a beneficiary under this option is less than the initial payment under the Declining Reserve 4%. However, this option provides the largest ***fixed*** lump sum payment at death.)

**Alternative Option** - Please provide a specific description below:

**\$100,000 lump sum payment to beneficiary**



**9<sup>th</sup> Thing You May Not Know...**

# **Deminimus Lump Sum Retirement Benefit**



# **Deminimus Lump Sum**

- **Maximum pension must be less than \$2,400 per year.**
- **Lump Sum is calculated to be the actuarial equivalent of monthly benefit for life, and is paid in lieu of any future benefits.**
- **Factors used in calculation change annually.**
- **Election is irrevocable.**
- **All or part of the payment may be subject to federal income tax.**
- **Payment is eligible to be rolled over.**

# Sample Calculation

**Tier 4 Member**

**Age 55**

**5 Years of Service Credit**

**\$35,000 Final Average Salary**

**Maximum Annual Benefit of \$2,124**

**(\$177 per month)**

*Or*

**Actuarially Calculated Single Payment of \$43,320**

# 10<sup>th</sup> Thing You May Not Know...

## Tax Rules For NYSTRS Benefits



# Loans

- **Call for an estimate before you borrow.**
- **Taxability of combined loans could be severe (since IRS requires the existing loan balance be added to total combined loan to determine taxability).**
- **Additional 10% penalty if you are under age 59 1/2.**
- **Loan default can cause taxability.**
- **Default at retirement not subject to 10% penalty (unless retirement occurs prior to age 55).**

# **Beneficiary Payments**

- **The first \$50,000 of an in-service death benefit or a post-retirement Paragraph 2 death benefit payment is considered group term life insurance and is not taxable.**
- **Remaining portion of death benefit payment is subject to federal income tax.**
- **Retirement Option Payments are all federally taxable.**

# **Federal Taxes on Pensions**

- **Pension payments are federally taxable except for “cost of annuity” items, including contributions made before 7/1/89 and the balance of some payments made for the purchase of service credit.**
- **The “cost of annuity” is returned tax-free to a member or beneficiary as a portion of each monthly payment.**
- **The portion to be excluded from taxation is determined by a calculation depending on the “cost of annuity” and the age of the member at the time of retirement.**

# State Taxes on Pensions

- **NYSTRS payments are exempt from NYS tax, but retirees who live outside NYS are subject to that state's tax laws. The site <http://www.rpea.org> summarizes tax rules for all 50 states. According to the most recent data, the following states appear not to tax NYSTRS pensions:**

<b>Alabama</b>	<b>New Hampshire</b>
<b>Alaska</b>	<b>Pennsylvania (after age 59 1/2)</b>
<b>Florida</b>	<b>South Dakota</b>
<b>Hawaii</b>	<b>Tennessee</b>
<b>Illinois</b>	<b>Texas</b>
<b>Mississippi</b>	<b>Washington</b>
<b>Nevada</b>	<b>Wyoming</b>

- **In several other states, out-of-state pension income is partially exempt. Of course, members should check with their tax preparer to confirm the tax rules in other states.**