

# **NYSTRS BENEFITS**



## Pension Benefit Formula

Your Maximum Annual Pension = Your Pension Factor x Age Factor (if applicable) x Final Average Salary (FAS). You may retire at 55 with 5+ years of credit (or 10+ years for Tiers 5-6). We highlight information about these membership topics below, but a more detailed summary can be found in the *Active Members' Handbook* and *You Deserve the Credit* brochure, available on our website at NYSTRS.org.

### Service Credit

It is important to make sure you have all the service credit for which you are eligible, since additional credit will increase your pension in almost all cases. Various methods for obtaining credit are highlighted below.

**Member Service:** You can earn credit for the instruction and supervision of students in NYS public schools, BOCES, SUNY, or community colleges (outside NYC) or a charter school that participates as a NYSTRS employer. You can receive a maximum of one year of credit within a school year (July 1-June 30) based on the number of paid work or paid leave days your employer(s) reports to NYSTRS. To receive credit for part-time, partial year or substitute teaching, you must work the equivalent of at least 20 full days in a school year.

<u>Days Per School Year</u>	<u>Credit</u>	<u>Days Per School Year</u>	<u>Credit</u>
Under 20 days	= None	90-109 days	= 5 months
20 - 29 days	= 1 month	110-129 days	= 6 months
30 - 49 days	= 2 months	130-149 days	= 7 months
50 - 69 days	= 3 months	150-169 days	= 8 months
70 - 89 days	= 4 months	170+ days	= 9 months
		<b>9 months</b>	= <b>1 year</b>

**Prior Service:** You can obtain credit for NYS public service before your current membership date by filing a *Prior Service Claim* form (PRS-2) and the applicable verification of salary and service form, available on our website. To purchase this credit, Tier 3 and 4 members must pay 3% of salary received during the period of service. Tier 5 members pay 3.5%, and Tier 6 members pay 6%. In addition, Tiers 4-6 pay 5% interest per year.

**Out-of-State Service:** By law, only Tier 1 members may receive credit for teaching in the public schools and colleges of another state before their NYSTRS membership date. You can receive a maximum of 10 years credit, but any such service that brings your total service above 35 years is excluded from your pension calculation.

**Military Service:** If you provide the necessary honorable discharge documentation (Form DD214), you may obtain credit for certain active military duty. The *Military Service* brochure on our website explains the eligibility requirements and the costs that may apply.

**Transfers:** If you are a member of another New York State public retirement system and no longer work in employment reportable to that system, you may be able to transfer your service and membership to NYSTRS. However, you cannot receive more than one year of credit within a school year if your service was concurrent. You should contact both systems to discuss this option before taking action. To request a transfer, contact the system you are leaving to obtain the necessary forms.

**Reinstatements:** If you had a former membership in a NYS public retirement system, you may be eligible to reinstate that membership by filing an *Election to Reinstate* (RIS-1) form with NYSTRS. Since this would reinstate your earliest membership date, you may be eligible to reinstate the benefits of an earlier tier.

<u>Tier</u>	<u>Date of Membership</u>	<u>Tier</u>	<u>Date of Membership</u>	<u>Tier</u>	<u>Date of Membership</u>
1	Before 7/1/73	3	7/27/76 - 8/31/83	5	1/1/10 - 3/31/12
2	7/1/73 - 7/26/76	4	9/1/83 - 12/31/09	6	On or after 4/1/12

If you reinstate a Tier 1 or 2 membership, there will be no cost to you, and you will not be required to make member contributions. However, if you reinstate a former Tier 3-6 membership, you will be required to repay, in a lump sum with interest, the amount refunded from the previous membership. In some situations, a reinstatement may not be to your advantage. Since a reinstatement election is irrevocable, please contact NYSTRS at (800) 348-7298 to discuss your choice.

**Article 19 Credit:** At retirement, Tier 1 and 2 members generally receive 1/12 of a year of credit for each year of their service credit, up to an additional two years of credit.

## Pension Factor

Your pension factor calculation is based on your total service credit and tier, as detailed below:

- **Tier 1:** You generally receive a pension factor of 2% per year of service credit (to a maximum of 75% plus up to 4% for Article 19). Your pension factor is reduced 5% for each year less than 20 years of NYS service you have (up to a 50% reduction).
- **Tier 2:** You generally receive a pension factor of 2% per year of service credit (to a maximum of 75% plus up to 4% for Article 19). Your pension factor is reduced 5% for each year less than 20 years of NYS service you have (up to a 50% reduction). An age factor applies if you retire before 62 with less than 30 years of service.
- **Tiers 3 and 4:** You receive 1.67% per year of service credit if you have less than 20 years of service, 2% per year if you have between 20 and 30 years of service, and 60% plus 1.5% per year for service beyond 30 years. An age factor applies if you retire before 62 with less than 30 years of service.
- **Tier 5:** You receive 1.67% per year of service credit for less than 25 years, 2% per year if you have between 25 and 30 years of service, and 60% plus 1.5% per year for service beyond 30 years. An age factor applies if you retire before 57 or retire between 57 and 62 with less than 30 years of service.
- **Tier 6:** You receive 1.67% per year of service credit if you have less than 20 years of service, 1.75% per year if you have 20 years, and 35% plus 2% per year for service beyond 20 years. An age factor applies if you retire before 63.

The following charts show the age factor that would apply if you don't meet the service or age thresholds noted above. The age factor is prorated by month.

### Age Factor: Tiers 2-4\*

Age	Percent	Age	Percent
55	73%	59	85%
56	76%	60	88%
57	79%	61	94%
58	82%	62	100%

\* If retiring with less than 30 years of service

### Age Factor: Tier 5\*

Age	Percent	Age	Percent
55	61.67%	59	81.67%
56	66.67%	60	86.67%
57	71.67%	61	93.33%
58	76.67%	62	100.00%

\* If retiring before 57 or between 57 and 62 with less than 30 years of service

### Age Factor: Tier 6\*

Age	Percent	Age	Percent
55	48.0%	59	74.0%
56	54.5%	60	80.5%
57	61.0%	61	87.0%
58	67.5%	62	93.5%
		63	100.0%

\* If retiring before 63

## Final Average Salary

Tier 1-5 members are eligible for a 3-year Final Average Salary (FAS), which is the average of your three highest consecutive school years of regular salary earned for duties involving the supervision and instruction of students. This includes pay for teaching service, coaching, tutoring, summer school, chaperoning, workshops, and supervision or administration of after-school clubs. It cannot include items such as non-regular compensation (e.g., bonuses, payments in lieu of health insurance), termination pay (e.g., local incentives, pay for unused leave), and payments made outside contract terms or on the eve of retirement.

Parallel rules apply to the 5-Year FAS for Tier 6 members, except amounts exceeding the NYS governor's salary cannot be included in the calculation. In addition, only the salaries from your two highest grossing positions per school year are pensionable, for those with multiple employers and 200+ days of service with a single employer.

Yearly increases in regular salary exceeding the following limits are also excluded from the calculation: Tier 1 — 20% of the previous year's salary; Tier 2 — 20% of the average of the previous two years' salaries; Tiers 3-5 — 10% of the average of the previous two years' salaries; Tier 6 — 10% of the average of the previous four years' salaries.

If your membership date precedes 6/17/71, you may be eligible for a 5-year FAS calculation that can include certain termination payments and non-regular compensation, and is not subject to salary increase limits.

## Other NYSTRS Benefits

### Death Benefits

If you are in active service and have at least one year of NYSTRS service, you are eligible for in-service death benefit coverage. For Tier 1 members, this benefit generally equals a maximum of three times earnings. Tier 2-6 members attain in-service coverage of three times salary after three years, and a portion of that coverage may continue on into retirement. If you stop working with 10+ years of service, vested death benefit coverage equal to 50% of the in-service death benefit may apply. Your designated beneficiary(ies) is shown in your annual *Benefit Profile* and your online MyNYSTRS account.

### Disability Benefits

You can apply for a disability benefit if you become incapacitated after attaining at least 10 years of NYS service credit (or fewer if you are a Tier 3-6 member and the disability resulted from an accident sustained in the performance of your teaching duties). The NYSTRS Medical Board will review your case to determine if you meet the various eligibility requirements. You can also file a disability application "for protection only" (e.g., in cases of surgery). For more information, read the publication *If You Are No Longer Able to Work* available on our website or call our Disability Unit at (800) 348-7298, Ext. 6010.

## Borrowing From Your Contributions

Tier 3-6 members have made contributions towards their pensions and may borrow from their Required Contribution Fund once per calendar year (Jan. 1-Dec. 31). You may borrow up to 75% of the amount in this fund, but not from employer contributions. Tier 1 and 2 members generally have not made pension contributions, so no loans are possible in these cases.

In order to borrow, you must have one year of service credit, your contributions (plus interest) must total at least \$1,334 and you cannot have an existing loan more than two months delinquent or in default. The minimum you can borrow is \$1,000.

**Important Note:** Members with an unpaid balance on a current NYSTRS loan who wish to borrow additional funds could face severe tax consequences on a combined loan. When calculating taxability, NYSTRS is also required to consider your existing loan balances with a 457 or 403(b) plan. See the online *Borrowing from Your NYSTRS Contributions* brochure for more information.

If you are a MyNYSTRS account holder, you can obtain a loan estimate online. Performing calculations online allows you to try numerous estimates. You may minimize possible tax consequences by reducing the amount of your request, increasing payment amounts and/or condensing the payment schedule. You can also apply for a loan electronically through your MyNYSTRS account. To inquire about other loan-related information, call (800) 348-7298, Ext. 6080.

## Repayment:

- All new loans must be repaid by payroll deduction if you are employed by a NYSTRS-participating employer (no July or August payments are required).
- Loans have a maximum five-year repayment schedule.
- Loans are charged interest at the annual rate of 5% (Tiers 1-2) or 6.25% (Tiers 3-6).
- A life insurance premium is charged at an annual rate of 0.10%, and loans are fully insured after 30 days.
- A \$30 service charge is added to your balance for each loan given.
- Partial payments will be applied to the outstanding loan, but will not advance your due date or excuse you from any charges that may accrue.
- Fees: \$10 per delinquent payment; \$20 for each returned check.

## Defaulting on a Loan at Retirement

**Tiers 3-6:** If you have an outstanding loan at retirement, you have two options concerning repayment. The Tier 4 sample estimates below illustrate these choices for a member who is 62 years old.

**Estimate #1** is for a full pension, meaning that any outstanding loan was repaid by the time of retirement. As a result, all of the member's contributions are being used to fund the benefit.

**Estimate #2** shows the member retiring with a loan default of \$10,000. Because not all of the member's contributions are available to help fund the pension, there is a permanent reduction in the benefit paid to the member, in this case a decrease of \$536 per year (based on loan factors for 2019).

### SAMPLE — TIER 4 ESTIMATE OF RETIREMENT BENEFITS

	Estimate # 1 Full Pension	Estimate #2 Loan Default
Retirement Date	07/01/2021	07/01/2021
Cease Teaching Date	06/30/2021	06/30/2021
Total Service	30 - 6	30 - 6
Final Average Salary	\$84,545	\$84,545
Loan Default		\$10,000
<b>Maximum Annual Benefit</b>	<b>\$51,854</b>	<b>\$51,318</b>

## Tax Implications of Loan Default at Retirement

- ◆ The taxable portion of a Tier 3-6 loan default can be indirectly rolled over into a qualified plan, thus deferring tax liability on the money. Members have 60 days from the date NYSTRS notifies them of a loan default to deposit all or part of the money attributable to the default into a tax-deferred plan.
- ◆ All taxable portions of loan defaults that are not rolled over to a qualified retirement plan are includable as ordinary income for the tax year that you receive the payment. These payments are exempt from New York State tax.
- ◆ A defaulted loan may be repaid within 30 days of retirement to avoid a permanent reduction to the pension.

## Key Service Credit Milestones

### 1 Year of Credit

- You may be covered by an in-service death benefit. (If you are a Tier 3-6 member and die due to an accident sustained while teaching, an accidental death benefit may be payable to your beneficiary instead.)
- You may become eligible to take a loan from your member contributions.

### 2 Years of Credit

- You may purchase credit for eligible prior service.

### 5 Years of Credit

- **Tiers 1-4:** Your pension will be vested, and you will be eligible for a NYSTRS service retirement benefit at age 55. A service factor will apply if you are Tiers 1-2 and retire with less than 20 years of credit. An age factor will apply if you are Tiers 2-4, and retire before age 62 with less than 30 years of credit.
- You will be eligible to purchase credit for military service that preceded your NYSTRS membership date.

### 10 Years of Credit

- You become eligible for disability retirement coverage.
- If you leave teaching and die before retirement, you will be covered by a vested death benefit.
- **Tiers 3-4:** You stop making 3% required contributions with either 10 years of credit or 10 years of membership.
- **Tier 5:** Your pension will be vested, and you will be eligible for a service retirement benefit at age 55. An age factor will apply if you retire before age 57 or before age 62 with less than 30 years of credit.

### 10 Years of Credit (continued)

- **Tier 6:** Your pension will be vested, and you will be eligible for a service retirement benefit at age 55 if you are still in active service, but an age factor will apply if you retire before 63. (If your membership is vested but you are not in active service, you must be at least 63 to retire.)

### 20 Years of Credit

- **Tiers 1-2:** The pension factor in your benefit calculation no longer includes a service-related reduction.
- **Tiers 3-4:** The pension factor in your benefit calculation increases from 1.67% to 2% (e.g. 40% for 20 years; 60% for 30 years) plus 1.5% per year beyond 30 years of service.
- **Tier 6:** The pension factor in your benefit calculation increases from 1.67% to 1.75% (i.e., 35% for your first 20 years) plus 2% for each year beyond 20 years of service.

### 25 Years of Credit

- **Tier 5:** The pension factor in your benefit calculation increases from 1.67% to 2% (e.g., 50% for 25 years; 60% for 30 years) plus 1.5% per year beyond 30 years of service.

### 30 Years of Credit

- **Tiers 2-4:** You may retire without an age factor as early as age 55 with 30 years of credit, or age 62 with at least 5 years of credit.
- **Tier 5:** You may retire without an age factor as early as age 57 with 30 years of credit, or age 62 with at least 10 years of credit.