Next Wave
Remote Work - Eric Adams over Garcia
Chapter Elections - Osy
Medical Coverage Crisis $1500 GHI vs HIP, Stabilization Fund
PE/RA Reimbursement
Admin Eng, Adm PM exams
Next Mtgs – April 9, May 7, June 18

Pension: Google: nycers Tier 6 spd

NYCERS is the largest Municipal public employee retirement system in the US, with 350,000 active members and retirees

All benefits payable are funded by employee and employer contributions and from earnings on the invested assets of the system.

This means that, if there is a projected shortfall in paying out retirement benefits, NYC must fund that deficit at the beginning of its fiscal year budget

Your Pension is guaranteed by the NYS Constitution. (less than 18% benefit, maybe 15%).

Therefore, unions don't want the State to hold Constitutional Conventions - so always vote against holding them

Financial Advisor: Defined Benefit Plan is a rarity.....doesn't matter what the stock market does, (as opposed to a Defined Contribution Plan, such as say a 457 [Deferred Compensation Plan])

Definition of Vesting – right to a retirement benefit at a future date

Tier 6 [63/5] - joined April 1, 2012 or later.

On 4/9/22, this was changed from 63/10.

MANDATORY MEMBERSHIP VS. VOLUNTARY MEMBERSHIP
Membership in NYCERS is mandatory for all employees who are appointed from a civil service list and have completed six months in a permanent title in the competitive or labor class. Permanent employees may voluntarily join NYCERS during the first six months of employment. If they do not voluntarily join, membership will automatically be established after six months have lapsed. Non-permanent employees are free to join NYCERS; they will not be forced in after six months.

Non-competitive employees??????

SOCIAL SECURITY PARTICIPATION

Membership in NYCERS requires participation in the Social Security Program. Once an employee joins NYCERS, either through voluntary or mandatory membership, the employee must pay the 6.2% Federal Insurance Contributions Act (FICA) tax (reduced to 4.2% for 2011 and 2012) on covered Wages. **This tax, otherwise known as Social Security tax, is applied up to a maximum wage limit**. The maximum wage limit subject to FICA, per calendar year, can be found on www.socialsecurity.gov **[$176,100 for 2025**]. **In addition, all employees since 1986 are required to pay 1.45% of earnings for the Medicare Program. Unlike the FICA tax, there is no maximum wage limit upon which Medicare deductions are based.**

Social Security is based on your best 35 years of wages, inflation adjusted. Anyone with under 35 years will have zeroes averaged in. (ex. You work for only 30 calendar years – then 5 zeroes will be averaged in.) Those who have taken a significant amount of unpaid leave for say childbirth, may be harmed by this.

Employees may concurrently join NYCERS and DCP. Those who are not mandated into NYCERS membership may join the DCP and not NYCERS. DCP members who contribute 7.5% or more of their Wages to the DCP are not required to pay the 6.2% FICA tax. However, Social Security disability, survivor and retirement benefits are determined according to the amount and duration of a member's FICA contributions. DCP members who subsequently join NYCERS are required to pay FICA tax even if they contribute at least 7.5% of Wages to the DCP. *If a member does not join NYCERS or the DCP, they will be required to pay all required FICA contributions after one month of employment.?????*

Milestones:
5 years – Vesting (need two years of membership service as well)
10 years - City health coverage + Union Welfare Benefits upon collecting a pension
10 years – Sick leave paid out at 1/3 (for those joining the City 7/1/04 or later)
20 years – Pension = 35% (instead of 33.33% + each add'l year adds 2%)

- At 19 years, you will get 31.67%
- At 20, you get 35%
- At 21 years, you get 37% (Each year over 20, you add 2%)

But it's probably best to retire if you have many years of service, because your pension is a parabola:

✔ A supervisor I know is probably looking at a 100K pension at age 57 [$170 FAS x 60% (30 years in Tier 4). If he were to die while still working past 57, there will be no pension for his surviving wife.

✔ In my example, if I work till I die, my current $1M present value pension will only be worth the cash value, currently not even $75K

ANNUAL WAGES BASIC MEMBER CONTRIBUTIONS (BMC) RATE

You pay between 3-6% into the pension. This is a flat rate, unlike income tax, which is graduated.

- Up to $45,000 3%
- $45,001 to $55,000 3.5%
- $55,001 to $75,000 4.5%
- $75,001 to $100,000 5.75%
- Greater than $100,000 6%

Beginning from the fourth Plan Year, or Plan Year 2017, whichever is later, NYCERS will use the member's actual gross Wages earned two Plan Years prior to determine the member's BMCs rate using the Actual Wage Method (as opposed to the Projected Wage Method).

In other words, for those of you who have already completed three years, your 2025 pension contribution rate will be based on your earnings from 2023.

BMCs must be paid until the member separates from City Service or retires. The BMCs deducted from a member's paycheck are Federal tax-deferred, meaning that the member does not pay Federal taxes on the contributions, only New York State and local taxes.

NYCERS' pension benefits are taxable on the Federal level but are not taxable on the state and local level if the member resides in New York City or New York State as a retiree. If a member moves to another state, their pension may be subject to taxation by that particular state and possibly the locality of the state in which they reside.

MyNYCERS

Go to NYCERS website and create an account or look up your records:
http://www.mynycers.org/

NYCERS members and retirees may register for the MyNYCERS portal at www.mynycers.org to file forms online and manage their NYCERS account. Registration instructions are provided on the website.
For members who registered before April 2020, a one-time re-registration is required

- View My: Documents
- Taxes & Statements

- ADS_STMT ……..2023

Update your beneficiaries!!!!!!!!!:

- ✔ City (Accrued Leave) - ESS
- ✔ Union (needs to be notarized)
- ✔ NYCERS (Death benefit 3x salary taxable)

Pension based on:
[ ] Credited Service [i.e. Multiplier]
[ ] Pensionable Compensation [i.e. Final Average Salary]
[ ] Age [Pension is Reduced if Collecting When Under Required Retirement Age]

MEMBER CONTRIBUTION ACCUMULATION FUND (MCAF)
The member's Basic Member Contributions are deposited into an account called the Member Contribution Accumulation Fund (MCAF). The monies deposited into the MCAF earn interest. Since January 1, 1977, the interest rate has been fixed by law at a rate of 5% per annum, compounded annually

The accrual of interest on member contributions is of value in certain ways, but members should not view interest accrued in the MCAF as they would view interest accrued in a savings account. In a Defined Benefit Retirement Plan, a formula defined in law is used to calculate the member's pension. Interest has more of a direct impact in areas such as loans and refunds; the amount a member can borrow is based on 75% of their MCAF, which is constantly growing because of interest, and refunds include interest earned.

In a nutshell, once you start collecting a pension, the cash value of your MCAF is essentially meaningless.

DEFICITS
An unresolved Deficit may lead to a reduction in their pension benefit or a delay in the processing of their retirement benefit. The latter can occur if the Deficit exceeds 75% of the amount in the member's MCAF.

You have the responsibility of verifying that your biweekly pension deductions are correct, Normally, this would only be a concern if you transfer agencies.

Pension surprises – I won maybe 5K in grievance money around 1997. If that money was not taxed for pension purposes, I will owe $5000 x 3% x (1.05)^28 years = ~$600

Rule of 72s ["Interest Rate" x "# of Years to Double" = ~72]
Ex. At 5% interest, your money will double in 14.4 years

Ex. At 3% inflation, prices will double in 24 years

Part-Time Service is service in which an employee is regularly scheduled to work less than **1,827 hours** in a calendar year. Regardless of how Part-Time Service is obtained, NYCERS will prorate credit on the basis of one year of Full-Time Service – 1,827 hours worked in a calendar year.

TRANSFERRED SERVICE (there are 7 other NYC/NYS retirement systems besides NYCERS). Ex. Going to a State Agency (Pierre)

PURCHASED SERVICE (BUY-BACK)
You must have two years as a pension member to buy back service

Me:
City Start Date: 1/20/87
Forced into Pension: 7/12/87 (i.e. Pension Membership date)
Buy-Back: ~2005 ~$843

Once an application is filed, NYCERS must verify the member's Previous Service and Wages earned. In most cases, NYCERS has adequate pay records or is able to request them from the following employers: ► Mayoral Agencies – Starting from February 1986

Previous Service (Tier 6). The cost is 6% of the Wages earned during the period(s) the member is buying back, plus 5% interest compounded annually.

One option to pay for buy-back service is: A direct Rollover of funds from a Deferred Compensation Plan (DCP)

I think that I paid by check, so I didn't get the Federal tax savings. I assume that payroll deductions would have enabled me to get the Federal tax savings, but interest continues at 5% (as opposed to say paying by lump sum).

MEMBERSHIP REINSTATEMENT
You can be reinstated to an old tier if you were a member, then left City service, and even if you received a refund of your pension contributions

~~Current members who were previous members of a public employee retirement system in New York City or New York State may apply to restore their original Membership Date. In order to be eligible, the first membership must have been terminated~~. *Unlike purchasing Previous Service, Membership Reinstatement requires that the member was previously a member of a public employee retirement system, not merely employed by a public entity that would have allowed the member to join a retirement system.*

In other words, say you were employed by the City in March 2012 but you hadn't joined the pension system by then. You still hadn't joined when Tier 6 began on 4/1/12.

Therefore, even though you were eligible to join Tier 4 57/5 in March 2012, you were not a member of Tier 4 57/5 as of 4/1/12, and are therefore are ineligible to join Tier 4

Generally, if the member received a refund from their former NYCERS or other retirement system membership, the cost they will be required to pay to NYCERS will be the full refund amount in a lumpsum payment or direct Rollover from their Deferred Compensation Plan (DCP) or Individual Retirement Account (IRA), together with 5% interest compounded annually from the date of the refund to the date of repayment.

~~The member's former Membership Date and, if applicable, tier status (see the following Tier Reinstatement section) will be reinstated only when NYCERS receives their lump-sum payment. NYCERS will then certify their reinstatement and send them confirmation of their reinstated Membership Date, tier, plan, and deductions. The member's Membership Reinstatement will trigger a review of their account to determine whether all required contributions have been made, and if a Deficit or an overage exists. If a Deficit exists, a separate letter will be sent explaining the cause of the Deficit and the steps the member must take to resolve it.~~

Tier Reinstatement A key benefit of Membership Reinstatement, if applicable, is reinstating to an earlier tier. The benefits of an earlier tier are generally better than those in Tier 6, so members who think they might be eligible should consider applying. In most cases, the benefits will outweigh any cost, but individual cases differ.

To make an informed decision about their situation, members can contact NYCERS' Call Center at (347) 643-3000 and speak to a retirement counselor.

RETIRING EARLY

Retiring before age 63 in Tier 6 is brutal. It's a 6.5% penalty. So, if you want to collect your pension at say age 57, that's a [6 × 6.5%] = 39% permanent reduction in your pension, but of course you will collect the pension for 6 additional years, and you will have City health coverage.

However, if you leave City Service at age 57, you can choose to collect your pension at age 63, and therefore receive 100% of what your pension should be. You can retire as early as age 55 and collect a pension right away.

To repeat, you must be on payroll and reach age 55 to begin to collect your "Reduced" pension.

If you leave City service at age 54, and your accrued Terminal/Final leave will not take you to age 55, you will have to wait till age 63 to receive your "Unreduced" pension.

Must go directly from Payroll to Pension

Waiving of terminal leave (1 year max)

Tier 4 57/5 work to age 52, refund of half your AMCs plus interest

Final Average Salary - 3 year window but 4 year lookback??
Pension COLA after 5 years

2027 - 27th paycheck: $100K salary will be $103500 vs $99725

7 pension options. Maximus, popup, joint, actuarial tables

Tier 6 Wish List