Retirement of Trustee James J. Kelly

Our best wishes go to Mr. James J. Kelly upon his retirement from education service. Mr. Kelly, an employee elected member of the BERS Board of Trustees, has been a Trustee, Vice-Chairman, and since July 2001, Chairman of the Retirement Board of BERS. Mr. Kelly has devoted 34 years of service to the City of New York and has been an integral part of BERS since beginning his term as a Trustee in January 1997.

Mr. Kelly has long been committed to assuring that BERS members are the recipients of the finest benefits. He has been integral in sponsoring legislation to enact corpus funding for BERS, to enhance member benefits, to increase investment flexibility, to allow members to receive pension credit for military service, and to permit earlier access to retirement benefits.

During his distinguished career in the public sector, Mr. Kelly has held numerous positions on and been appointed to many governing boards. Until his retirement, he served as President of the International Brotherhood of Operating Engineers, Local 891. He also served on the Board of Education Personnel Board; the Advisory Council of the NYC Central Labor Counsel, Executive Board of the NYS Conference of Operating Engineers, Trustee and Treasurer of the NYS Public Employee Conference, Chairman of Local 891 Pension Committee and he is a member of the Law Committee of the I.U.O.E. General Convention.

Ms. Rebecca Marston, Employee Member of the Board of Trustees, stated “Working with Jim as a BERS Trustee has been a wonderful experience. He is a dedicated professional who never lost sight of the members’ interest. I will miss him, and wish him all of life’s best in his retirement years.” Mr. Thomas Malanga, Mr. Kelly’s alternate, has assumed the duties of Employee Trustee.

On Behalf of the Members, Trustees, Management, and Staff of BERS, we thank Mr. Kelly for his dedicated service and commitment, and wish him the very best in his retirement.

Election Of BERS Co-Chairpersons

At the October 9, 2003 meeting of the Trustees of BERS, Ms. Kathleen Grimm and Ms. Rebecca Marston were unanimously elected as Co-Chairpersons.

Ms. Grimm, Deputy Chancellor for Finance and Administration is Chancellor Klein’s representative to the Board of Trustees. Ms. Grimm has public sector service as the State Deputy Comptroller under H. Carl McCall, and in the administrations of Mayors Koch, Dinkins, and Giuliani. In addition to her responsibilities in the Department of Education, Ms. Grimm is a Trustee and Adjunct Professor at her alma mater, New York Law School.

Ms. Marston, an employee member of the Board of Trustees since 1999, is a Substance Abuse Prevention Intervention Specialist (SAPIS) III at the Bay Academy in Brooklyn. Accredited by New York State as an Alcohol and Substance Abuse Counselor (CASAC) and Credentialed Prevention Professional (CPP), Ms. Marston is a former Chapter Chairperson and DC 37 delegate. During her tenure, BERS members have enjoyed such benefit enhancement legislation as cessation of the regular 3% contributions for eligible Tier 3/4 members; up to two additional years of service for Tier 1/2 members; a change in the vesting rules, and Tier 4 service retirement as early as age 55.
When you file your 2003 federal income tax return, be aware of a new tax credit called the Saver’s Tax Credit. This is a federal income tax credit for investing in programs such as the BERS TDA program and will result in eligible filers paying less tax. The credit is a percentage of the eligible contribution and deferral amounts with the highest tax reduction to taxpayers that earn the least amount of income.

To be eligible for the credit you must be at least 18 years of age, and not a full-time student, and not claimed as a dependent on another person’s tax return. In addition, your adjusted gross income (AGI) must be less than $25,000 ($37,500 for a head of household). Married couples filing jointly must have an AGI of less than $50,000. The table below outlines the benefit to eligible filers.

The Saver’s Tax Credit is based on the first $2,000 of contributions made to your TDA, IRA, 401(k) and 457 plans. Please note contributions to Roth IRA’s are not eligible for this credit. You must subtract any distribution received after 1999 and before April 15, 2004 from the contributions made. Multiply the result (up to $2,000) by the eligible credit rate applicable based on the Adjusted Gross Income (AGI) and filing status.

The credit that you receive from the Retirement Savings Contribution Credit is in addition to whatever other tax benefit that may result from your retirement contributions.

If you are not yet a member of the BERS TDA program take this opportunity to enroll. Enrollment kits are being mailed to all BERS members. While counselors are available to assist you in completing the TDA enrollment application, BERS does not provide tax advice. If you have any further questions, please consult the IRS or a tax advisor.

<table>
<thead>
<tr>
<th>Married Joint Return</th>
<th>Head of Household</th>
<th>Others</th>
<th>Credit Rate on Contributions</th>
<th>Maximum Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $30,000</td>
<td>Less than $22,500</td>
<td>Less than $15,000</td>
<td>50%</td>
<td>$1,000</td>
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<tr>
<td>$30,001 - 32,500</td>
<td>$22,501 - 24,375</td>
<td>$15,001 - 16,250</td>
<td>20%</td>
<td>$400</td>
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<tr>
<td>$32,501 - $50,000</td>
<td>$24,376 - $37,500</td>
<td>$16,251 - 25,000</td>
<td>10%</td>
<td>$200</td>
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<tr>
<td>Greater than $50,000</td>
<td>Greater than $37,500</td>
<td>Greater than $25,000</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Serving in Active Duty?**

If you are a BERS member who has been called to active military service and have an outstanding pension loan, you are eligible to have the interest deferred for the period of your active military service. The interest for the period of deferral will be 6%.

It is your responsibility to contact BERS to inform the system of the change in status. Upon your return from military duty, you must reactivate either payroll deductions for repayment of the loan; or establish direct repayments, if you do not return to a City payroll.
New Pension and TDA Loan Rules and a New Look to Your Pay Stub

Effective January 1, 2004, there are new Internal Revenue Code guidelines for the processing of pension and TDA loans over $10,000. Presently, when you apply for a loan, any outstanding unpaid balance you may have is rolled into the new loan amount and your repayments are based on the new loan balance. Your pay-stub reflects a deduction amount for your pension or TDA loan.

This will change effective January 1, 2004. Any new loans requested and approved will not be rolled into your present outstanding unpaid balance. It will be treated as a new loan. These new loan rules will directly impact your paycheck, therefore, if you have any questions regarding these new rules, please contact us, prior to submitting your loan application. Here are some examples of the new rules.

If a member has a remaining balance of $5,000 with 52 remaining repayment and applies for a new loan in the amount of $10,000 to be repaid over 4 years (104 repayments), there will be two deductions on the member’s pay-stub. The loan deduction for the $5,000 outstanding balance with 52 remaining payments will continue and a new deduction reflecting a loan balance of $10,000 with a schedule of 104 repayments will also be reflected.

Each outstanding loan requires a minimum amount of each paycheck be taken as a repayment amount.

These minimum amounts are indicated in the BERS Loan Brochures. Tier 3/4 members are required to repay a minimum of 2% of gross pay per pension loan, Therefore, if a member has three loans; pension, 57/5, and TDA loans, a minimum repayment of 6% of gross pay is required. If an additional loan is taken, as in the example above, the minimum repayment will be 8% per paycheck!

Tier 1/2 members are permitted 3 pension loans in a 12-month period. The required repayment percentage for Tier 1/2 is 5% of the gross pay per pension loan. A Tier 1/2 member is permitted to have as many as 12 outstanding pension loans, and at 5% repayment per loan, the minimum required repayment would be 60% of salary, each payday, as loan repayments. As you can see, there are members who could be committing a large percentage of their gross salary as loan repayments.

IMPORTANT NOTE: The deadline to apply for a pension or TDA loan for the week ending January 2, 2004 is Wednesday, December 24, 2003 at 3 pm. All loans processed after that date will follow the new rules. The loans issued for the week ending January 2, 2004 will be mailed to members on December 31, 2003. Any loan application received after the deadline will be processed for the first full week of January 2004 under the new loan rules.

For Our Retirees

BERS is committed to ensuring that you receive prompt delivery of your monthly retirement allowance. It is very important that you let us know of any changes in your status so that we can keep your records up-to-date.

Please inform the Pension Payroll unit if:
- You have a change of address;
- You wish to sign up for Electronic Fund Transfer (EFT) or Direct Deposit to have your pension check routed directly to your bank;
- Your beneficiary dies or;
- You wish to add or remove a beneficiary and the option you selected at retirement allows you to do so.

The telephone number for the BERS Pension Payroll unit is 718-935-5445 or 1-800-845-5575 (outside NY State.)

Cost of Living Adjustment - Beginning with the September 30, 2003 pension payment, COLA eligible retirees will receive their 2003 COLA from BERS.
**Pre-Tax Savings** - saving for your retirement in a qualified plan means you are taking advantage of two powerful tax benefits. The first major tax benefit is that your contributions are conveniently deducted from your paycheck before you are taxed; therefore your reportable income is reduced and you end up paying less in current federal income taxes.

Second, your savings accumulate tax-deferred until you withdraw them. For example, a member earning $2,000 per month and contributing $200 a month to the employer's plan (ten percent) would pay income tax on only $1,800 ($2,000-$200), instead of the entire $2,000 that is earned. At an assumed federal income tax rate of 25%, that's a $50 monthly tax savings, or $600 per year. Your tax savings will vary according to your tax bracket and contribution rate.

**Tax Deferral** - tax preference granted to qualified retirement plans in which taxes are not imposed when funds are contributed or accrued, but when cash is distributed to plan participants.

**Tax-Deferred Compounding** - when you save in a regular savings account, interest you earn is taxable annually as ordinary income. Year after year, this taxation can take a huge bite out of your potential earnings. In a qualified retirement savings plan or IRA, your earnings grow tax-deferred until you withdraw the money. Keep in mind there may be a ten percent federal penalty tax for withdrawal prior to age 59 1/2. Tax-deferred compounding means your account balance grows much faster because all of your earnings are reinvested without being reduced by current taxes.