



BERS WORDS

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Tax deferred annuity has unique advantages

The BERS Tax Deferred Annuity program is not your average savings plan.

With less taxable income, a Savers Tax Credit and tax deferred investment returns, TDA investors have a unique advantage over non-participants.

The pre-tax money contributed to the TDA program will result in participants having a higher net income than non-contributors. In addition to the money you put into the program, earnings on that money will not be taxed until it is withdrawn. Other savings programs will tax you on your yearly earnings. In the comparison to the right of two people making the same amount of money, one with a TDA and one without, the chart shows that the TDA member will have a higher net income.

Your contribution rate, conveniently deducted from your payroll, can be changed periodically. On a quarterly

	TDA	No TDA
Biweekly pay	\$ 1,000	\$ 1,000
Pre-Tax TDA Contributions	\$ 30	—
Taxable Income	\$ 970	\$ 1,000
Taxes (25%)	\$ 242	\$ 250
Post Tax Income	\$ 728	\$ 750
Post Savings	—	\$30
Net Income	\$ 728	\$ 720
Annual Additional Income	\$ 208	—

basis participants can also change how their money is allocated between the Fixed and Variable investment programs. Through "passive enrollment," contributors do not submit any change forms if they want their rates and elections to stay the same.

A Savers Tax Credit, available

through 2006, will be given to eligible TDA contributors. The credit is based on a percentage of the first \$2,000 contributed to your TDA and results in a reduction in the amount of taxes owed. The percentage, or credit rate, is determined by your Adjusted Gross Income (AGI). For a breakdown of the different credit rates, see the chart titled "Income Limits" on page 5 of the TDA booklet. To qualify for the tax credit you have to be either single or married filing separately with an AGI no more than \$25,000, an individual filing as head of a household with an AGI no more than \$37,500, or a married couple filing joint returns with an AGI no more than \$50,000.

As a supplement to your Social Security and Qualified Pension Plan (QPP) benefits, the TDA program is a unique way to save money on a tax deferred basis. Contact BERS to receive our new TDA booklet outlining the benefits of the TDA program.

BERS employees come out for night at the park

BERS employees, along with family, friends, and Department of Education colleagues were among the 8,703 fans out for a warm summer night of baseball as the Brooklyn Cyclones edged the Staten Island Yankees by a score of 1-0 at Coney Island's Keyspan Park on Friday, August 27, 2004.

The outing, sponsored by BERS for the third year, is an event in which BERS personnel and their families

come together to enjoy the American pastime.

Board of Trustee members Thomas Malanga and Rebecca Marston, along with the rest of the crowd, were witness to starter Mike Swindell pitching seven scoreless innings, striking out six. In the bottom of the seventh outfielder Caleb Stewart followed infielder Tyler Davidson's two out single with a RBI triple off of the left centerfield wall. Davidson scored,

giving the Cyclones the winning run.

The three year old team, Brooklyn's first baseball team in 44 years, improved its record to 37-28. Members looking for a nice night out with their family should consider attending a Cyclones game next summer. BERS would like to thank all the staff and Department of Education employees who came out to the park.

We would like to hear from you. Please send comments regarding our newsletter, or any specific concern to The Editor, BERS WORDS, Board of Education Retirement System, 65 Court Street, Room 1603, Brooklyn, N.Y. 11201.

A pension loan at retirement will reduce your pension

Evaluating your situation and personal needs is the first step when considering a Loan at Retirement (LAR). Many members come in for retirement counseling having been advised that they "should always take a loan at retirement." While every BERS retiree is entitled to a LAR, this does not mean an LAR is in every retiree's best interest. This loan will permanently reduce your pension allowance.

The LAR is considered a cash withdrawal from your pension account. There is no repayment option like with a regular loan. The amount borrowed is withdrawn directly from your pension account resulting in a permanently reduced benefit. On average, for every \$1,000 loaned at retirement, the retiree stands to lose \$100 a year in pension benefits.

If you take a loan at retirement that has a taxable portion, or if you have

an outstanding loan at retirement, BERS will report the distribution of the loan to the IRS. BERS is required to withhold 20% of your loan at retirement for federal income tax purposes.

The member has the option of rolling over the taxable portion to a financial institution or their BERS TDA account. A member who elects to rollover the taxable portion to their BERS TDA account must complete the necessary paperwork at the time of retirement as the member is not permitted to select this option after they have retired.

If you elect to rollover the taxable amount to a financial institution, you must provide the name of the institution and your account number. Members who do not opt to rollover their taxable amount to a financial institution and receive both the taxable and non-taxable portions of their LAR, are permitted 60 days from the date of the loan check to deposit

the amount into a tax deferred account.

Members who have an outstanding TDA loan at the time of retirement must make arrangements with BERS to make repayments after retirement. Any loan that goes without a repayment for three or more months will go into default and will be reported to the IRS as a taxable distribution.

An LAR may be an advantage for some members, but not for all. Consider your personal circumstances before taking an action that will permanently lower your monthly pension as well as the pension for any beneficiaries you may have.

Benefit examiners are available daily and may be reached at (718) 935-5400.

Correct form completion will speed your TDA enrollment

Before you can participate in the Tax Deferred Annuity program, an enrollment form must be completed. Aside from basic information, the form requires you to indicate your contribution rate and investment allocation. This information is necessary in order to properly invest your money.

Located in the first box on the enrollment form, the Contribution Rate is the percentage of your salary you would like to contribute to the TDA Program.

This percentage can range from 1% to 100% of your earnings. Your Dollar Limit, the maximum amount you are allowed to contribute to the TDA program, is \$14,000 for persons

under age 50, and \$16,000 for persons age 50 and over.

Members who have been employed by the Department of Education for 15 years or longer may be eligible to make additional contributions. You can use the worksheet labeled "Determining Your Contribution Percentage," on page 8 of the TDA booklet, to help you estimate your contribution rate.

The money deducted from your salary based on your contribution rate must be distributed between the fixed and variable investment programs. You select how these future contributions are invested. You can choose to invest your entire contribution (100%) in just one of the programs, or you

can split the money between both. The total amount allocated between the fixed and variable programs must equal 100%. Also, allocations must be whole numbers in multiples of 5%. See "Investment Choices" on page 3 of the TDA booklet for an explanation of the fixed and variable investment programs.

Once the form is properly completed and processed you can make use of the many benefits of the TDA program. In addition, with the "TDA Investment Change" form you'll have the option to change your contribution rate at anytime of the year, and the flexibility to change your past and future allocations up to four times per year (once each quarter).

Ease your retirement worries: prepare yourself ahead of time

In your countdown to retirement, proper planning, readiness and foresight are sure to save you from future headaches. Knowing what to do a month from retirement is just as important as knowing what to do several years from retirement.

When you are ready to submit your retirement application you should schedule an appointment with a benefits examiner at least three months before the day you plan to retire. Before you see an examiner, you should have the following:

- Confirmation of your last day of work.
- Proper photo identification and proof of age.

Tier 1 and 2 members, along with any annual employee, should file for terminal leave with their timekeepers prior to seeing an examiner. Hourly workers should ask their school ahead of time for a letter stating their last day on payroll. Examiners also require all members to bring official photo identification and proof of age. This includes identification such as a

driver's license, passport, or marriage certificate.

Before you can retire, your examiner will discuss the following with you as these decisions are final upon retirement.

- Do you have prior service to buy back ?
- Do you have an outstanding loan balance? Will it be repaid prior to retirement or by a permanent reduction in benefits?
- Is your current address on file?
- Is your list of beneficiaries up to date with correct names and addresses?

Members with at least five years of credited service are eligible to receive benefits upon attainment of retirement age. If you are vested, but have less than 10 years of service, you can choose to either receive your benefits, or get a refund of the money accumulated in your pension account.

When you file for retirement you must select a pension option. The examiner

will walk you through the options. These options will affect your benefit payments. Once an option is chosen you will decide if you want your pension check mailed to you or directly deposited into your bank account (EFT). When this is settled, all that's left is for you to do is enjoy your retirement!

If your retirement, however, is years away from now, there are still steps you can take to prepare for that day. Anticipating future debt, assets, and income can be powerful knowledge when planning for the future. Will your pension benefits and social security be enough for your cost of living expenses, or should you consider a supplemental investment such as the BERS Tax Deferred Annuity (TDA)?

Meeting with a benefits counselor in advance will best help you determine what needs to be done for your retirement. To make an appointment, contact information services at (718) 935-5400.

Just A Reminder

Per-diem or substitute teacher members of BERS who are appointed and become members of the NYC Teachers' Retirement System (TRS), must file to have their accumulated contributions, service credit, and reserves transferred to TRS. The transfer is not automatic.

It is very important that you contact BERS to advise that you have been appointed so that BERS may cease

pension and TDA contributions. Contact TRS regarding your membership in their system to ensure that your pension and TDA contributions begin at TRS.

If you have any questions or require assistance, benefit examiners are available daily to assist and answer your question. Benefit examiners may be reached at (718) 935-5400.

Medicare part B

Medicare part B reimbursement checks were sent out during the month of August by the New York City Office of Labor Relations Health Benefits Program at 40 Rector Street, New York, NY 10006.

Medicare part B helps to pay for doctor services, outpatient hospital care, and other medical services not covered by part A. Part B is for people over age 65 with Medicare as their primary insurance. For information regarding Medicare Part B reimbursements call (212) 513-0470.

Do you like our new format? Please send comments regarding our newsletter to The Editor, **BERS WORDS, Board of Education Retirement System, 65 Court Street, Room 1603, Brooklyn, N.Y. 11201.** Or e-mail your comments to **Brespon@nycboe.net**

Questions and Answers

- Q. My coworker and I are under the Tier 4 retirement plan and would like to know what percentage of our final average salary we will receive at retirement, having put in 25 years of service at age 62?
- A. The percentage of your final average salary, FAS, which you will receive at retirement, is calculated through a formula which multiplies your years of credited service by a specific percentage. Members with 1 to 19 years of credited service, multiply those years by $1\frac{2}{3}\%$ (.0166%). In your case, members with 20 to 30 years multiply their years of service by 2%. Members with more than 30 years of service receive 1.5% times the number of years over 30. For information concerning this, refer to page 27 of the Tier 4 Summary Plan Description.
- Q. I am a part time employee and a member of BERS. I joined in 1995. When will my 3% contributions stop? Will it take me longer because I am a part-time employee?
- A. Legislation in 2000 allowed Tier 3 and Tier 4 members to cease the 3% contributions upon attainment of 10 years of pension membership. Based on a 1995 membership date, your 3% will be ceased in 2005. Although you are a part-time member, you will be eligible to stop contributing after 10 years of membership. The 10 years for this purpose is not pro-rated time. If you are a part-time member you may also be able to purchase prior service to attain the 10 years of membership service.

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