



BERS WORDS

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BERS 85th Anniversary

In August 2006 the Board of Education Retirement System celebrated its 85th anniversary. This special event was marked by a visit to BERS's office from elected Board of Trustee employee members Thomas J. Malanga and Milagros Rodriguez who thanked the staff for their dedicated service to the members of the pension system.

Founded on August 31, 1921, BERS has provided retirement benefits for civil service employees since before the Great Depression. Over the years the retirement system has grown from a few employees at 131 Livingston Street to a staff of more than 70 occupying the entire 16th floor at 65 Court Street, servicing over 25,000 active members and 10,000 retirees. BERS has continually expanded and now includes a range of city workers, such as provisional and part-time Department of Education employees, along with per-diem

and substitute teachers, as well as permanent civil service employees of the City of New York. Additionally, BERS has seen its TDA Variable Unit Value grow from as low as \$7 to over \$70 currently. On December 31, 2005 the asset value of the BERS investment portfolio reached \$2 billion.

As staunch advocates for BERS members and member rights Mr. Malanga and Ms. Rodriguez have a combined 50 years of Department of Education service. They represent the membership through committees overseeing issues such as auditing, budgeting, and investment.

For 85 years the New York City Board of Education Retirement System has been committed to providing equitable, efficient and effective service to its membership. Happy Anniversary!



Mr. Thomas J. Malanga and Ms. Milagros Rodriguez greeting BERS members and enrollees.

Retiree Earning Limit Increase

The yearly earning limit for retirees re-entering public service has been increased to \$30,000 from \$27,500.

Service retirees under age 65 may earn up to \$30,000 per year without an offset of their pension benefits. There is no earning cap for service retirees over age 65. A retiree who is employed in the private sector is not governed by these earning guidelines. These earning guidelines apply only to

re-employment in New York State and its subsidiaries, including the New York City public sector.

When re-entering public service a retiree must file the appropriate 212 waiver with BERS. If you are a BERS retiree and re-enter public service, the additional service you render will not entitle you to additional pension service credit from BERS.

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.** Or e-mail your comments to Brespon@nycboe.net.

2007 TDA Brochure Now Available

The 2007 BERS TDA enrollment kit is now available to members. The TDA program is a unique way to save money on a tax deferred basis. BERS offers this program as a supplement to your Social Security and Qualified Pension Plan (QPP) benefits.

Please note that the maximum contribution amount for 2007 is \$15,500. The additional contribution limit for members age 50 or older remains unchanged at \$5,000. These limits may be different from the goal amounts recently received by our membership. These new goal amounts will be reflected in the TDA acknowledgement letter mailed to members in January.

The passive enrollment feature that allows TDA members uninterrupted participation in the program picks up payroll information from the third quarter of the year, but last quarter enrollees may not pick up for the 2007 contribution year. Members who enrolled before September 30th do not need to take any action in order to remain in the program.

TDA investors have a unique advantage over non-participants with features such as less taxable income, a Savers Tax Credit which has been extended, and tax deferred returns.

The pre-tax money contributed to the TDA program will result in participants having a higher net income than non-

contributors. In the comparison below 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 because they will have less taxable income. Earnings on the money invested in this program will not be taxed until withdrawn.

	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	—

In addition to the above mentioned advantages, the TDA program provides members great flexibility in terms of the amount they can contribute to the program as well as how they wish to allocate their investments. The return on fixed investment funds is currently 8.25%. The return on variable investment funds is based on stock market fluctuations.

Pension Protection Act of 2006

On August 17, President Bush signed the Pension Protection Act of 2006. Through this law the government is encouraging taxpayers to save money for retirement by allowing savers to put more money in their personal and workplace accounts during the next decade.

Previous incentives, such as the TDA Savers Tax Credit, were temporarily enacted in 2001 and were scheduled to expire on December 31, 2006. Now the \$1,000 credit for lower-income savers will be extended past its 2006 deadline. Lawmakers hope enticements like these will promote savings and cut taxes for savers by \$46 billion between 2007 and 2016, according to the Associated Press. The following features of the Pension Protection Act will directly affect TDA members:

Beneficiaries

New rules will allow non-spousal beneficiaries to directly rollover, free of current taxes, distributions from a deceased member's TDA into an Individual Retirement Account (IRA) beginning in 2007. Previously this option was only available to surviving spouses. Distributions must be directly transferred

trustee-to-trustee in order to be tax-free.

Roth IRA

In 2008 TDA distributions will be allowed to directly rollover into a Roth IRA. If your adjusted gross income exceeds \$100,000 you will be ineligible for this conversion until 2010. A Roth IRA differs in that withdrawals and earnings from this account are commonly federal income tax free, but all funds deposited into the account must be taxed funds.

Savers Tax Credit

Set to expire, this tax credit will now be made permanent. Single people earning less than \$25,000 or married couples earning less than \$50,000 qualify for a \$1000 tax credit if they contribute \$2000 into the TDA. Income eligibility will adjust with inflation. For more information on the Savers Tax Credit, please read the 2007 TDA booklet.

Additionally, New York's 529 College Savings Program, set to expire after 2010, will now be made permanent. For more information, visit www.nysaves.org, or call (877) 697-2837.

Retiree Bank Change

If you are a retiree who uses the Bank of New York (BoNY) to cash your pension checks, please note that as of October 2006 you will not be able to cash your pension checks at a BoNY branch without having an account with JPMorgan Chase (Chase) bank. Personal accounts with BoNY are being automatically transferred to Chase, who will now maintain these accounts.

This change is due to BoNY recently selling their branches to Chase; BoNY branches will keep their name until 2007.

If you do not have a BoNY account, but regularly cash your pension checks at a BoNY branch, you'll now need to go to an Apple Bank for Savings branch. Fill out the bank's customer card, and present it to a bank teller when cashing your checks. Listed are a few Apple bank branch locations:

Manhattan

Maiden Lane & Water St.
1320 Ave of the Americas
122 East 42nd Street

Brooklyn

326 Court Street
1321 Kings Highway

Queens

102-29 Queens Boulevard

Bronx

12 Westchester Square

Nassau

195 Old Country Road

Staten Island

2655 Richmond Avenue

For more information please call the Comptroller's Community Action Center (CAC) at (212) 669-3916, or (800) 800-6385 if calling from outside New York City. You can also email the CAC at action@comptroller.nyc.gov.

How Tier 1 and Tier 2 Contributions Become Benefits

Many of our Tier 1 and Tier 2 members question how the money they contribute to their pension will help them. Often this comes with the information that a colleague who is also Tier 1 or Tier 2 member has opted not to contribute to the pension and claim they will be getting the same pension as if they contributed. This is not true!

Under Tier 1 and Tier 2 you can offset the Social Security portion of your FICA taxes by selecting what is called the "Annuity Savings Fund (ASF) Waiver." (The Medicare portion can not be offset.) With the ASF Waiver, you can reduce your employee contributions to BERS by up to 6.2%, the current amount of Social Security taxes. Thus, you reduce your payroll deductions and thereby increase your take-home pay. If you opt for the ASF Waiver, while your take-home pay is increased, your retirement annuity may be reduced because this waiver may create a deficit in your ASF. If you do not opt for such, while your take-home pay remains lower, your retirement annuity will be greater.

Tier 1 and Tier 2 benefits are financed by both employee and employer contributions, and their investment returns. There are three components to pension benefits:

- the Pension Fund — yielding a fixed amount, based on your years of service and salary, and financed by employer contributions, plus their investment earnings, offset by required employee contributions; and
- your ASF — either a variable amount or a fixed amount or

both equally, and financed by your employee contributions plus their investment earnings; and

- your Increased-Take-Home-Pay (ITHP) Fund — either a variable amount or a fixed amount or 50% variable / 50% fixed, and financed by employer contributions plus their investment earnings.

Whether or not you waive ITHP, your employer makes a contribution currently equal to 2% of your annual wages toward your ITHP Fund. The employer contributions — plus the earnings on their investments — fund much of the cost of BERS retirement benefits. It is the Office of the Actuary that calculates and determines how much the employer should put into BERS. Your employer also pays FICA taxes on your behalf in an amount equal to your own employee FICA taxes, whether or not you offset the Social Security portion thereof with an ASF Waiver. Medicare and Social Security benefits to which you may be entitled are separate from, and in addition to, your BERS benefits.

If you have been contributing at a rate lower than your certified contribution rate (CCR), or have not contributed to your pension, you can still take steps to maximize your post retirement income. Tier 1 and Tier 2 members can begin contributing to their pensions at any time. Additionally, if there is a deficit at the time of retirement members can make a one time lump sum payment to offset that deficit. Please make an appointment to speak with a benefit examiner to review your pension options.

TDA Enrollment Kits Delayed

We sincerely apologize for the delay in the distribution of the TDA Enrollment Kits. We encountered difficulties in the production schedule which we were unable to overcome. We also apologize for any incorrect information on your investment

change form pertaining to your current contribution rate, conversion of past contributions, and 2007 dollar limit. The correct figures will be reflected in the TDA acknowledgement letter mailed to members in January.

Questions And Answers

Q. I received an approximation of my retirement benefits, but this amount is not accurate and does not reflect my overtime or any other additional pay. Why was this not included in my approximation?

A. There are some calculation factors that can change during service; therefore, your pension calculation at the time of retirement may generate a different amount than your approximation request. When a member files for

retirement, BERS receives exact salary information from the payroll units to use in the FAS calculation. For pension approximation request we use your base salary only. Pensions will be recalculated to reflect post-retirement contractual pay. Approximations of retirement benefits are granted upon request to those who are within 5 years of retirement age. BERS will accommodate approximation requests once per year.

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