



# BERS WORDS

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## 2011 TDA Limits Remain Unchanged

The dollar limits for the 2011 contributions will remain the same as was allowed for 2010. The TDA program is a unique way to save money on a tax-deferred basis. The 2011 BERS TDA booklet is now available to members. The program offers a supplement to our Qualified Pension Plan (QPP) benefits and Social Security.

TDA investors have a unique advantage over non-participants with features such as less taxable income, tax deferred investment returns and a potential Saver's Tax Credit. 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 you owe, up to a maximum credit of \$1,000. Your Adjusted Gross Income determines the percentage, and credit rate.

The goal amounts for 2011 is the lesser of 100% of compensation or \$16,500. Those eligible for catch-up contributions (see TDA Booklet) may contribute as much as \$3,000 in 2011 above the \$16,500 limit and are limited to a lifetime total of \$15,000. Members age 50 or older are eligible to contribute an additional \$5,500.

The pre-tax money contributed to the TDA program will result in participants having a higher net income than non-contributing savers do. In the comparison to the right of how 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. In addition to the money you put into the program, earnings on that money will not be taxed until they are withdrawn.

In addition to the fore-mentioned advantages, the TDA program provides members flexibility in terms of the amount they contribute to the program as well as how they wish to allocate their investments.

The return on the fixed income fund is currently 8.25%. The return on the variable investment fund is based on stock market performance.

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

## Happy Holidays

It is that time again when we look back and reflect on the accomplishments of the past months. Though the economy has had its challenges, our members are assured of the security the Retirement System's defined benefit plan provides. Your disciplined contribution to the pension plan has helped you weather changing market conditions and guarantees you a harvest at retirement. If your retirement days are right around the corner or a long way off it is good to know that your goals are on the right track.

The Retirement System team is dedicated to providing our members with the quality and service that they deserve. As we all celebrate the year's end and look forward to new beginnings in 2011, we pledge our continued commitment to provide you with excellent service.

We at BERS wish all of our members and their loved ones a healthy, happy and prosperous holiday season.

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 [Berspon@bers.nyc.gov](mailto:Berspon@bers.nyc.gov).

# Your Statement Of Accounts

The New York Board of Education Retirement System sends members a personalized account statement semi-annually. This statement contains important information and should be carefully reviewed for accuracy. Included with the statement is a member inquiry form. This form must be used to report any error, request forms, or forward a question. Please note the date information is reported on the statement ("As Of" date at the top of the Statement of Accounts). Information such as contributions and loan repayment received after this date will be reflected on the next statement.

Please check the personal information at the top of your statement to assure your name and address are correct. Your membership number and membership date are also contained in this area. Your membership date is the date you enrolled in BERS. Even if you have bought prior service or had service transferred from another retirement system, your membership date remains the date you enrolled in BERS. Remember, any changes to your financial institution or account number could result in payment delays or a check being mailed to an incorrect address.

Your Statement of Accounts will include your BERS account balance, contributions and interest earned for the past 6 month period. The statement will also note your participation in any

voluntary programs such as the Early Retirement Program and/or the TDA and those contributions and balances will also be reflected on the statement. Transfers of TDA funds and growth on your TDA investment funds will be shown, if applicable.

There is a recap of prior service and military service if you have purchased them and the amount you paid for the service. If you have purchased prior service and military service and that information is not correctly displayed, please note that information on the Member Inquiry Form and return it to BERS.

The information on all outstanding loans you may have from your regular pension account, TDA account or early retirement account if applicable, is also on your semi-annual statement.

Your beneficiary designation information that BERS has on file for you is also shown on the statement. The information or persons listed in each section directs how BERS will make payment in the event of your death. Please review this information carefully. You should have beneficiary information listed for your regular pension; your Early Retirement Program benefit; and your TDA account benefit, if you participate in the TDA.

Look out for your Statement of Account for calendar year 2011 in February 2011.

## Transferred Contributors

If you change jobs and take another position with the City of New York (such as with another city agency entirely), and your new job does not entitle you to BERS membership, you may be able to remain in BERS as a transferred contributor provided that the following applies to you;

- you start the other position within 60 days of the resignation date from your current job; and
- you do *not* withdraw your employee contributions from your Annuity Savings Fund (ASF) at BERS; and
- you do *not* become a member of another retirement system.

As a transferred contributor, you continue to make contributions toward your retirement allowance through payroll deductions and, hence, you continue to accrue BERS benefits.

But take note: you will *not* be eligible to make contributions to the Tax-Deferred Annuity Program (TDA) at BERS unless you remain in education service.

Your status as a transferred contributor becomes effective as soon as you complete and submit the proper forms to BERS. These forms include a Transferred Contributor Waiver that is *irrevocable* – this means that you cannot reverse your decision to stay in BERS unless mandated to do so.

This form may be downloaded at the BERS website at <http://www.nycbers.org/>. Click on Forms on the left and select the Transferred Contributor Application link. If you do not have internet access, please call BERS at (718) 935-4170 and we will be happy to send you the form.

# Reach Your Goal With A Retirement Budget

Many people spend as much as one-third of their lives in retirement, so it's important to plan carefully for the lifestyle you want. A general rule of thumb says you will need 70% to 90% of your current annual income each year you are retired in order to maintain your current lifestyle. If your current gross annual income is \$50,000, you could need \$35,000 to \$45,000 per year in retirement. The income you need can vary widely depending on the retirement lifestyle you choose. Will you stay at home or travel the world? A retirement budget can help you analyze your expected income and expenses.

## Determine Your Income

Start by calculating your monthly retirement income, including all of your retirement income sources. These may include:

- Your Pension
- Your BERS 403(b) or other employer retirement plan, such as NYC 401(k)
- IRAs
- Personal retirement savings and investments
- Social Security payments: Social Security sends annual statements of estimated benefits to workers age 25 and older who do not receive payments and have no pending Social Security claims. You can request a statement at any time.
- Full- or part-time work after retirement

## Estimate Your Expenses

The next step is to estimate your retirement expenses. Consider your current expenses and how they may change after you retire. For example, you may spend more on health care as you

get older but less on items such as clothing or vehicles.

Analyzing your retirement income and anticipated spending can help you determine whether your retirement plan is on track for your lifestyle goal. You may want to review the allocation of your personal investments and reallocate your assets if necessary.

As with any part of your financial plan, review and update your retirement budget each year (or more often if there is a major change in your life).

## Helpful Hints for Your Retirement Budget

Consider reducing or eliminating debt, such as your mortgage and outstanding balances on credit cards. This can be a crucial step in using your retirement income effectively.

Plan how and when you are going to take distributions from your BERS retirement plan or IRA. For example, if you have more than one tax deferred account, you need to decide how you want to divide any distributions you may take among these accounts. When you reach age 70½, you will be required to take the first minimum distribution from your TDA

by April of the following year.

Review the potential costs of medical and long-term care insurance. Remember to account for any dependent support expenses you may have, including expenses for elder care.

Think about updating your vehicle insurance coverage. Your coverage needs may change if you keep an older car or if you plan to drive less.

The following categories may help you estimate your retirement expenses:

- Taxes
- Real Estate
- Utilities
- Vehicles
- Health Care
- Personal Care
- Food
- Clothing
- Vacations
- Entertainment
- Savings/Contributions
- Memberships/Licenses
- Miscellaneous

# Direct Deposit Your Retirement Benefits

Direct Deposit offers you the freedom and peace of mind of knowing that your money is deposited to your financial institution when it is supposed to be, no matter where your adventures might take you. Rather than worrying about a late, lost or stolen check or waiting in line to make your deposit, let Direct Deposit work for you.

It's easy to enroll. Just complete and return the Retirees EFT Authorization application form which is available for download at the BERS web site at [http://www.nycbers.org/pdf/Retirees\\_EFT\\_Authorization\\_28.pdf](http://www.nycbers.org/pdf/Retirees_EFT_Authorization_28.pdf). If you prefer you can request the form by calling BERS at (718) 935-5400 or toll free at (800) 843-5575. You may also come to our office to pick up a copy of this form.

# Questions and Answers

**Q. I am a Tier 4 member and I recently applied for a QPP loan but was notified that the loan could not be processed because I did not attain the eligibility date. What do they mean by eligibility date?**

- Must have sufficient funds in your net pay to repay the loan.

Please visit our web site at [www.nycbers.org](http://www.nycbers.org) for additional loan information.

**A** As a Tier 4 member, you can only take one loan in any 12 month period. Therefore, your eligibility date will be 12 months from the date that you took the last QPP loan. In addition to your eligibility date you must meet the following requirements to qualify for a loan:

- Must have a least one year of membership service.
- You must be in active payroll status.
- Cannot be in default with a previous loan, including TDA and early retirement loans.

**Q. Can I increase my pension contributions?**

**A** No, the law dictates the amount of money you can put towards your pension and also the length of time that you are required to pay pension contributions. However, if you are working for the Department of Education and you wish to save additional money for your retirement, you can join the Tax Deferred Annuity Program (TDA). You can elect to join the TDA at any time during the year. For additional information call us at 718-935-5400.

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