



BERS WORDS

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Domestic Relations Orders (DROs)

Retirement benefits are considered marital assets. A Domestic Relations Order (DRO) is a court order that determines how assets will be divided between parties in a divorce settlement, and it can affect your pension allowance as well as funds in your Tax Deferred Annuity. A DRO identifies an alternate payee—a spouse, former spouse, child, or any other dependent of the participant—who is entitled to a portion of the participant's pension or TDA account. If the alternate payee is a minor, or deemed legally incompetent, the DRO can require payment to their legal guardian.

According to the U.S. Department of Labor, a DRO creates or recognizes the existence of an alternate payee's right to receive all or a portion of the benefits payable with respect to a participant's retirement plan. A DRO cannot require payments not otherwise provided under the participant's pension plan, and cannot require the payment of increased benefits exceeding the actuarial value of the participant's interest in the plan. Additionally, DROs cannot provide for an alternate payee's survivors, and cannot provide benefits already assigned to another alternate payee from a previous DRO. However, a

DRO may direct you to designate the alternate payee as your beneficiary. Because a DRO is a court order, you must comply with such directions.

Federal law dictates that BERS, as the administrator of the pension benefits, has the initial responsibility of determining the validity of a DRO. Should a DRO be part of your divorce proceedings, BERS must receive a certified copy regardless of where the divorce was filed.

The DRO must specify the portion of the participant's retirement benefits that is to be granted to the alternate payee. Please note that if a participant's pension allowance is suspended, so shall payments to the alternate payee.

When a DRO directs the division of your TDA account, the alternate payee is assigned a lump sum amount. The alternate payee can withdraw this amount, roll it over into an Individual Retirement Arrangement (IRA), or leave it at BERS, if permitted by the DRO.

Pension Check Dates

BERS retiree pension checks that are paid by Electronic Funds Transfer (EFT) are deposited on the last day of the month. If the last day of the month happens to be on a weekend or an observed holiday, then the checks will be deposited on the next business day. Pension checks are mailed to retirees and beneficiaries two business days before the end of the month. Be sure to let us know of any changes to your address or account by completing and submitting the Pensioner Change

of Address form or a new Electronic Fund Transfer form which can be downloaded from the BERS web site. The dates for EFT pension deposits through the fiscal year 2014 are listed here:

- December 1, 2013
- December 31, 2013
- January 31, 2014
- February 28, 2014
- March 31, 2014
- April 30, 2014
- June 2, 2014
- June 30, 2014

Happy Holidays from Trustees and Staff and Best Wishes for 2014

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@bers.nyc.gov.

What To Do If You Change Your Name

If you change your name, you must notify BERS of this change as soon as possible. This is in addition to the notification that you give your employer (such as the Department of Education, the School Construction Authority, or the Police Department); you must notify both your employer and BERS. If you fail to do this, it may result in delays or problems in processing transactions relating to your retirement accounts.

The following documents are considered sufficient proof of a name change:

- Name change order issued by a court of law
- Judgment of divorce showing your previous name and your amended name

- Marriage certificate showing your previous name and your amended name
- Certificate of naturalization showing your previous name and your amended name
- Birth certificate showing your previous name and your amended name

Note that any document submitted to notify BERS of your name change must show both your previous name and your amended name. Therefore, documentation such as a driver's license is not acceptable for the purpose of documenting a name change.

When to Apply for Social Security Benefits

All BERS members are required to participate in Social Security. In order to qualify for a Social Security Old-Age Benefit, you must contribute to Social Security for a minimum of forty quarters, or ten years, over your working life.

You can apply for Social Security benefits as early as age 62. Generally, the later you begin collecting, the greater your benefit will be, but there is no advantage to waiting beyond age 70. Many other factors impact the size of your benefit, including your lifetime earnings.

It is also important to determine your Full Retirement Age (FRA). If you begin collecting Social Security benefits before your FRA, your lifetime benefit will be reduced based on your age at the time you begin collecting. The detailed schedule of reductions is available on the Social Security Administration's website, at <http://www.ssa.gov/retire2/agereduction.htm>.

Additionally, if you begin collecting Social Security benefits before your FRA, and you are still working, then your Social Security benefits may be partially withheld based on your earnings from work. If, however, you begin collecting Social Security benefits on or after your FRA, then your Social Security

benefits will not be offset, regardless of whether or not you are working.

Your FRA will depend on the month in which you were born. If you were born in 1960 or later, your FRA is age 67. If you were born before 1960, then your FRA will be earlier than age 67. To determine your FRA, please see <http://www.ssa.gov/pubs/ageincrease.htm>.

It is very important to make the right decision about when to apply for Social Security benefits, in order to ensure that you will receive the best benefit amount for your lifetime. This requires knowing your FRA and having a reasonable estimate of how long you intend to work. Then, you can use the online tools provided by the Social Security Administration for an approximation of your benefit: <http://www.ssa.gov/planners/benefitcalculators.htm>.

Note that different rules govern the benefits under Social Security Disability. For more information about Social Security benefits, visit <http://www.ssa.gov/>.

2014 TDA Brochure Now Available

The TDA program is a unique way to save money on a tax-deferred basis. The 2014 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, a Saver's Tax Credit and tax deferred investment returns.

The goal amount for 2014 remains unchanged and is the lesser of 100% of compensation or \$17,500. Those eligible for catch-up contributions may contribute as much as \$3,000 in 2014 above the \$17,500 and are limited to a lifetime total of \$15,000. Members age 50 or older are eligible to contribute an additional \$5,500.

The return on fixed income fund is currently 7% for UFT members and 8.25% for all other members. The return on variable investment fund is based on stock market fluctuations.

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

You may also be eligible to take advantage of a tax credit called the Saver's Tax Credit. The Saver's Tax Credit is a federal income tax credit for investing in a retirement plan, such as the BERS TDA Program. The amount of credit you are entitled to is based upon your contribution amount and credit rate. Your Adjusted Gross Income (AGI) is the basis for the credit rate, which ranges from 10% to 50% of your contribution amount.

The Saver's Tax Credit income limits have been increased for 2014 and this credit is in addition to any deduction or exclusion allowed for your contributions. Please refer to the chart below illustrating the new income limits and credit rates.

Income Limits				
Credit Rate	Married Joint Return	Head of Household	Others	Maximum Credit
50%	Up to \$36,000	Up to \$27,000	Up to \$18,000	\$1000
20%	\$36,001 to \$39,000	\$27,001 to \$29,250	\$18,001 to \$19,500	\$400
10%	\$39,001 to \$60,000	\$29,251 to \$45,000	\$19,501 to \$30,000	\$200

In addition to the fore-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.

Participating members who wish to make changes to their TDA contributions are reminded to fill out and return the 2014 Investment Change form they received in the mail.

If you have not yet taken the advantage of participating in the TDA program, please consider it an opportunity to save extra money for your retirement. Please read the TDA Booklet which is available at <https://www.nycbers.org/UI/Pubs.aspx> and be sure to contact BERS if you have any additional questions. Don't be left out, join today.

Questions and Answers

Q. I am a Tier 6 member, and I have completed a year of credited service. If I were to die in active service, would my beneficiaries receive a death benefit?

A. Yes. As a Tier 6 member, you have the same rights to a death benefit as a Tier 4 member who joined BERS after October 1, 2000. All Tier 6 members are covered by Death Benefit Plan 2, which provides for a one-time lump-sum death benefit to your beneficiaries if (a) you die in active service, (b) you have at least one year of credited service, and (c) your death is not job-related. A death benefit is also payable if (a) you die while off payroll or on leave, (b) you had been in active service and were paid within 12 months before your death, (c) you were not gainfully employed since you were last on payroll, (d) you had at least one year of credited service, and (e) your death is not job-related. Note that if you work on a part-time basis, or if you have any breaks in service, it may take more than one calendar year for you to earn one year of credited service.

The formula for a Tier 6 death benefit is: (a) the balance of your regular member contributions, plus interest, (b) the employee portion of your additional member contributions, if any, plus interest, and (c) one year of your salary,

rounded down, for each year of credited service that you have completed, up to a maximum of three years. For example, if you earn \$30,000 per year, and you have completed two and a half years of credited service, your death benefit would be a return of your contributions, plus interest, and an additional \$60,000. Make sure to check your member statement and update your beneficiaries if you wish to change them. Also, if any of your beneficiaries move, please submit a new designation of beneficiary form, showing the new address. If BERS cannot locate your beneficiaries, BERS cannot pay them!

Q. My husband died a week before his monthly pension payment was deposited in his account. We had a joint account and I want to know why I could not keep all of the pension money since he died just a few days before the end of the month?

A. Payment is due to a deceased annuitant up to the exact date of his or her death which means that any pension money paid after the date of death does not belong to the member or beneficiary. By law, any payments issued to the decedent after the date of death must be recovered.

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