



BERS WORDS

A publication of the New York City Board of Education Retirement System

Volume 15 No 1

www.nycbers.org

Winter 2011

2010 1099R Forms

The 1099R forms for calendar year 2010 have been mailed to BERS members, retirees, and beneficiaries. 1099R's are issued to those who receive a taxable benefit from BERS during 2010. A taxable benefit may include a refund of contributions due to overpayment or an excess refund; death benefits paid to a beneficiary; TDA withdrawals; as well as any outstanding loan balance left unpaid at the time of retirement. Members who retired in calendar year 2010 will receive a W2 for any salary

they earned while on active payroll and a 1099R for any pension payments they receive as a retiree.

Active members, retirees and beneficiaries requiring a duplicate 1099R may contact BERS staff at (718) 935-4170. Your request should include your name and if different, the name of the BERS member, the member's Social Security Number or Membership Number and current mailing address.

4 Social Security Changes Coming in 2011

The Social Security program will be changed in several ways in 2011. Workers will get a temporary tax break on the amount they pay into the entitlement program, and several claiming options for retirees will be eliminated.

1. The Social Security system's finances are not expected to be harmed because the trust fund will be reimbursed for the full amount of the tax break from the general fund of the Treasury. However, this change also means that the Social Security trust fund will no longer be completely funded directly by citizen contributions.

2. Free loan option eliminated. Retirees will no longer be able to get an interest-free loan from the Social Security trust fund this year. The Social Security Administration announced in December 2010 that individuals will not be able to begin payments at age 62, pay back all the benefits received at age 70 without interest, and then reclaim at a higher rate due to delayed claiming. Under the new rules, Social Security beneficiaries may withdraw an application for retirement benefits only within 12 months of their first Social Security payment and are limited to one withdrawal per lifetime. This free loan costs the Social Security trust fund the use of money during the period the beneficiary is receiving benefits with the intent of later withdrawing the application and the interest earned on these funds. The Center for Retirement Research at Boston College calculated that mass utilization of this claiming strategy could cost the system between \$5.5 billion

and \$11 billion, primarily going to high-income households with enough liquid assets to pay back the benefits.

3. Retroactive benefit suspensions discontinued. Retirees will still be allowed to temporarily suspend their benefits and restart them later, which can result in bigger Social Security checks to account for the months or years in which payment was not received. However, beneficiaries will not be able to retroactively suspend benefits and pay back money already received in exchange for higher payments going forward. Retirees will be allowed to voluntarily suspend benefits only for months in which they did not receive payments or future benefits beginning the month after the request is made.

4. Paper checks retired. Retirees who apply for Social Security benefits on or after May 1, 2011, will no longer have the option of receiving a paper check in the mail. Seniors can have their entitlement payments directly deposited into a bank or credit union account or loaded onto a prepaid Direct Express Debit MasterCard. This important change will provide significant savings to American taxpayers who will no longer incur the annual \$120 million price tag associated with paper checks and will save Social Security \$1 billion over the next 10 years, Treasury Fiscal Assistant Secretary. Retirees already receiving paper checks will need to switch to direct deposit or the prepaid debit card by March 1, 2013.

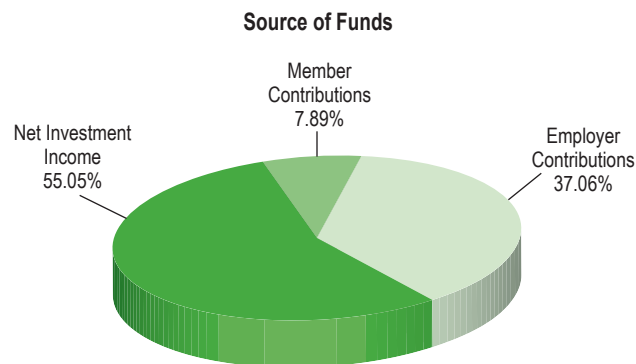
We would like to hear from you. Please send comments regarding our newsletter, or any specific concern to The Editor, **BERS WORDS, Board of Education Retirement System, 65 Court Street, Room 1603, Brooklyn, N.Y. 11201.** Or E-mail your comments to Brespon@bers.nyc.gov.

Financial Reports Issued

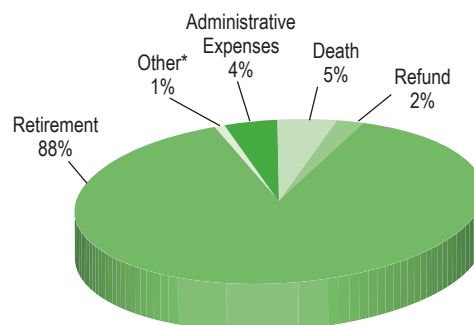
An unqualified opinion was issued by independent auditors, Deloitte & Touche, LLP regarding the financial statements for the fiscal year ended June 30, 2010. This opinion indicates that the financial statements present fairly, in all material respects, the net assets of the Plan as of June 30, 2010 and 2009, and the changes in the Plan net assets for the years then ended, in conformity with Generally Accepted Accounting Principles.

In addition, we are proud to announce that BERS was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. This is the twenty fourth consecutive year that BERS is a recipient of this prestigious national award. The Certificate of Achievement recognizes conformance with the highest standards for preparation of state and local government financial reports. Thanks goes to all of the staff of the Actuary, the Comptroller and BERS who worked on these reports for another job well done.

The following is a summary of the Statement of Assets and the Statement of Changes in Plan Net Assets as of June 30, 2010. The charts reflect the sources and uses of funds added and deducted from the Plan Assets.



Uses of Funds as a Percentage of Total Expenditure



*Other consists primarily of transfers to other retirement systems.

Statement of Assets As of June 30, 2010

Assets (in thousands)	
Cash	\$11,581
Receivables	\$92,355
Commercial Paper	\$745
Short Term Funds	\$62,191
Debt Securities	\$556,825
Equities	\$1,172,852
Collateral	\$165,624
Other Assets	\$702
Total Assets	\$2,062,876
Liabilities (in thousands)	
Accounts Payable	\$6,222
Payables-Investments	\$98,281
Accrued Benefits	\$6,810
Securities Lending	\$165,624
Total Liabilities	\$276,937
NET ASSETS on June 30, 2010	\$1,785,939

Changes in Assets During Fiscal Year 2010

Cash Position (in thousands)	
Net Assets On June 30, 2009	\$1,536,585
Additions	
Member Contributions	\$31,361
Employer Contributions	\$147,349
Net Investment Income	\$218,872
Other	\$38,232
Total Additions	\$435,814
Deductions (in thousands)	
Benefits Payments and other disbursements	\$178,413
Administrative expenses	\$8,047
Total Deductions	\$186,460
NET ASSETS on June 30, 2010	\$1,785,939

Semi-Annual Statement

BERS members in active service receive a statement of account twice a year marking their closing balances as of June 30th and December 31st. Please note that your February statement will not reflect your February accumulations. Retirees with a Tax Deferred Annuity (TDA) account will receive a deferral statement for the years they maintain a balance. Beneficiaries who keep their inherited TDA funds with BERS will receive a statement of account balances as well.

When you receive this statement, check it carefully to make sure all of the information is accurate. Included with each statement of account is a member inquiry form that we urge you to fill out if there are any questions you wish to ask us pertaining to your statement. This form should be used to report any error, request forms, or forward a question. For an illustrative guide to your statement of accounts, please visit our publications page at www.nycbers.org.

Computing Basic Tier 4 Benefits

Basic Tier 4 benefits are calculated by taking a percentage of your Final Average Salary which is multiplied by the number of years of credited service you have accrued.

Your Final Average (FAS) is the average of the annual wages – including overtime pay – you earned during any three consecutive calendar years, or it is the average of the annual wages you earned during the final 36 months immediately preceding your retirement date. Whichever average is greater will constitute your FAS. Of the annual wages used in this calculation, no year's wages can exceed 110% of the average of the previous two years.

However, the period of time used to compute your FAS would be greater than the standard three years if either you worked on a basis other than full-time, or if you had absences without pay in the final 36 months immediately preceding your retirement. Check with BERS to see if this applied to you.

The Basic Tier 4 Plan retirement benefits are calculated as follows:

- if you have less than 20 years of credited service:
 $1\frac{2}{3}\% \times \text{final average salary} \times \text{years of credited service}$; or

- if you have 20 or more years of credited service:
 $2\% \times \text{final average salary} \times \text{years of credited service}$
up to a maximum of 30 years
plus
 $1\frac{1}{2}\% \times \text{final average salary} \times \text{years of credited service}$
in excess of 30 years.

Now, if you wish to provide benefits for your survivors by selecting an "Option" rather than the "Maximum Retirement Allowance" the amount of your benefits would be reduced. The amount of such reduction would depend on which option you selected.

Any deficit in your MCAF account will result in a reduction in your benefits as well. Nonpayment of an outstanding loan balance, for example, could significantly decrease retirement benefits due you. (Please also be aware that nonpayment of an outstanding loan balance will trigger a federal tax liability, and could result in a tax penalty on the outstanding balance.)

Meanwhile, if you are planning to retire in the near future and wish to have a detailed calculation of your estimated retirement benefits (including the amounts of any "Option" you may have selected), you should call the BERS Retirement Office to request this information.

Get A Tax Credit For Your Contributions

Did you know that you might be eligible to claim a tax credit for contributions to your 403(b), plan? For 2011, single taxpayers earning \$28,250 a year or less — and married taxpayers filing

jointly who earn \$56,500 or less — may qualify for a tax credit of up to \$1,000 per person (\$2,000 if filing jointly). Please contact your tax advisor for additional information.

Questions and Answers

Q. I worked as a public employee in another state. I now work for a New York City covered employer. Is it possible to transfer my service from another state's public retirement system into BERS?

A. No. New York does not have reciprocity rights with any other state.

Q. I am in Tier 4 and I have a co-worker who started working for DOE two years after I started. He mentioned that he no longer has to contribute the 3% of his annual wages to BERS because he purchased credit for previous service while I am still paying the 3%. How is that possible?

A. While your co-worker may have started working for DOE 2 years after you did, he now has 10 years of service that qualifies him to stop contributing the 3%. Once you have either 10 years of membership in the Retirement System or 10 years of credited service – whichever happens first – the deduction from your paycheck of your 3% contributions will automatically stop.

Your co-worker could have obtained this credited service in various ways. Credited service can include the following: Membership service, Military service, Previous service, Transferred service, or Part-time service. If he "bought back" previous service he would have been able to receive credit after 2 years of BERS membership.

Even if he is no longer required to make employee contributions to BERS, he will continue to pay Medicare and Social Security (FICA) contributions. Do note that participants in the early retirement programs (55/25 or 57/5), are still required to make the additional contributions over and above the standard 3%, whether or not they have 10 or more years of membership or of credited service.

Please contact BERS if you think you may also have prior service that could qualify towards retirement.

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Printed in the USA on recycled paper.

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