

# **New York State Teachers' Retirement System Tier 6 – What you need to know**

**Annual Delegates Meeting  
November 5-6, 2023**



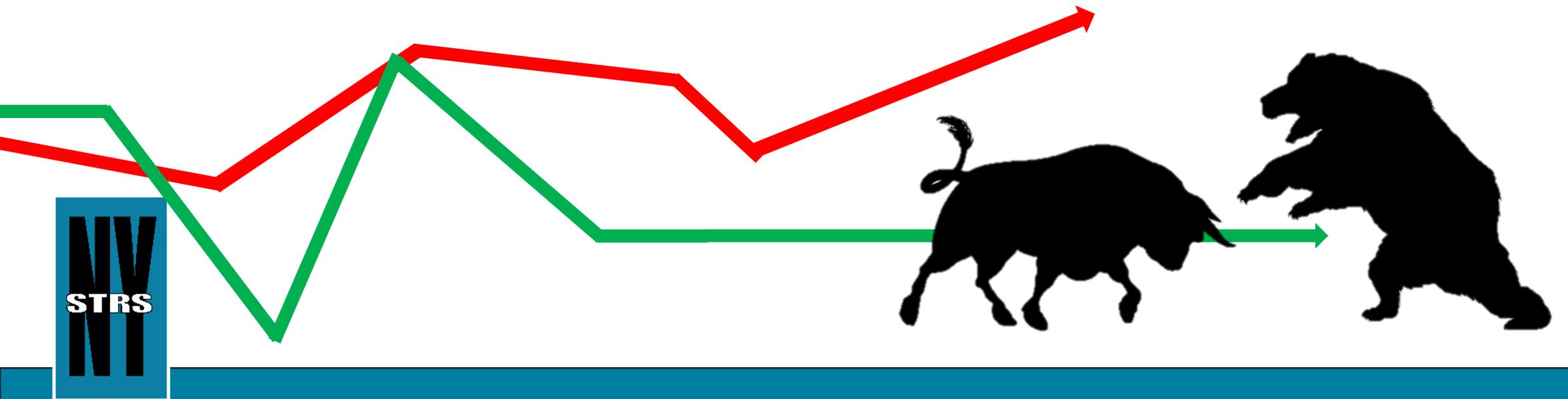
## Tier 6 – Similarities and Differences

- Defined Benefit Plan
- Contributions
- Loans
- Types of Service Credit
- Vesting
- Final Average Salary (FAS)
- Best Time to Retire



# Defined Contribution Plans

- Value of plan is based largely on market performance.
- How much will be available in retirement is an unknown.



# NYSTRS Defined Benefit Plan

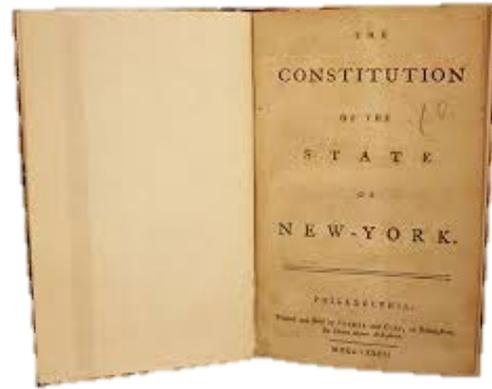


Members do not need to worry about volatility in the market for the pension.

Members can plan on a guaranteed monthly benefit for the rest of your lifetime.

- Members can (and should) have an IRA or 403b too, or both.

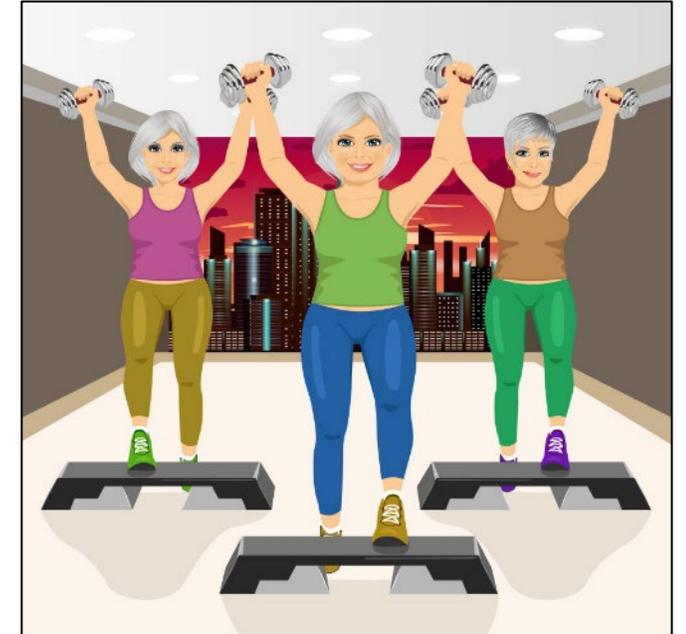
# NYS Pensions: Protected by a Constitutional Guarantee



## New York State Constitution - Article 5, Section 7:

“... membership in any [state] retirement system...shall be contractual..., the benefits of which shall **not be diminished or impaired.**”

# NYSTRS Defined Benefit Plan = Peace of Mind



# NYSTRS Pension – Desirable and Rare

- Until the 1980's, defined benefit pensions were the most popular retirement plans offered by employers. Now most employers offer a defined contribution plan such as a 403b, 401k.
- Today only 15% of private-sector workers have access to a defined benefit plan, compared to 85% of government workers according to the March 2022 National Compensation Survey from the Bureau of Labor Statistics.
- According to the National Institute on Retirement Security, about 40% of older Americans rely solely on Social Security benefits in retirement.



## NYSTRS Pension – Desirable and Rare

- The average pension of a NYSTRS retiree with 30-35 years of service is \$63,333 per year.



- The Tier 6 retirement plan provides the same security and reliability NYS teachers have come to expect for more than 100 years.

# Retirement – Just Ahead



Start planning...  
Start saving...



# Tier 6 Facts and Figures

- Tier 6 began on 04/01/2012.
- Tiers are formed by acts of legislation and signed by the Governor.
- Each Tier has its own set rules and regulations, which can only be changed with future legislation.
- Approximately 37% of our members are Tier 6...and growing.

How is Tier 6 different than earlier tiers of membership?



# Tier 6 Required Contributions

- By law, Tier 6 contributions are paid throughout the member's career.
- Annual contribution rate is determined with a sliding scale.

Tier 6 Contribution Chart	
Salary	Contribution Rate
\$45,000 and less	3.0%
More than \$45,000 to \$55,000	3.5%
More than \$55,000 to \$75,000	4.5%
More than \$75,000 to \$100,000	5.75%
More than \$100,000 to maximum of NYS Governor's Salary	6.0%

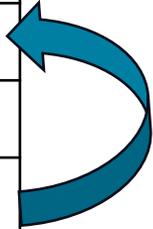


The rate is based on regular compensation the member received 2 school years prior.

# Tier 6 Required Contributions

Example: Contribution Rate Determination for a Member with a Date of Membership in 2022-2023

School Year	Member Contribution Rate Determined by	Year
7/1/2022-6/30/2023	Employer Projection	1
7/1/2023-6/30/2024	Employer Projection	2
7/1/2024-6/30/2025	Employer Projection	3
7/1/2025-6/30/2026	NYSTRS: Based on actual wages for 2023-2024	4
7/1/2026-6/30/2027	NYSTRS: Based on actual wages for 2024-2025	5



- For the first three years of employment, contribution rates are based on projected earnings.
- Beginning in the fourth year, the contribution rate will be based on the total usable earnings the member received two years prior.



# Tier 6 Required Contributions

- Contributions earn 5% annual interest.
- If you leave State service, in many cases you can withdraw your contributions plus interest, thus forfeiting any future benefit.
- If you pass away prior to retirement, in addition to the active member death benefit, your beneficiary will be paid your required contributions plus interest.
- Full-time employees are required to join, part-time employees are optional but should also join.



# Tier 6 Retirement Loans

- Members must have at least one year of service to be eligible for a loan.
- Members may only take one loan per calendar year.
- Minimum loan amount is \$1,000.
- Members who joined prior to July 1, 2022, may borrow up to 75% of their contribution balance.
- Members who joined the System on or after July 1, 2022, may borrow up to 50% of their contribution balance, or \$50,000 whichever is less.
- Maximum repayment term of a loan is five years with an interest rate of 5.95%.



# Service Crediting

## Credit Chart

0 – 19 days	No Credit
<b>20 – 29 days</b>	<b>1 month</b>
30 – 49 days	2 months
50 – 69 days	3 months
70 – 89 days	4 months
90 – 109 days	5 months
110-129 days	6 months
130 – 149 days	7 months
150 – 169 days	8 months
<b>170+ days</b>	<b>9 mos. = 1 year</b>

- Each month the employer reports a member's salary and service.
- The days reported will then equate to months of service.
- Each month of service helps to build a higher pension.
- Maximum service allowable in a year is one year.

Do you have all the service credit you are entitled to?



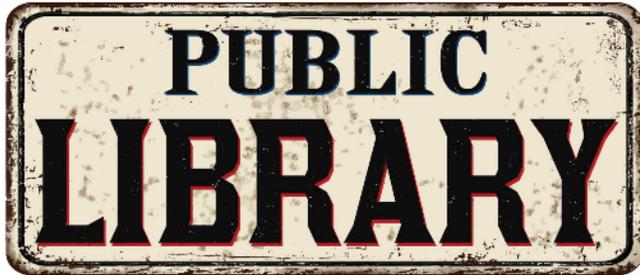
# Military Service



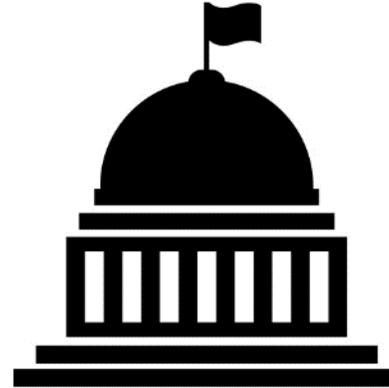
- Credit for active-duty military service that interrupted a NYSTRS membership or preceded it.
- Submit a copy of your DD-214 for verification.



# Prior Service



NYS Public Library



NYS Public Employment  
(City, Town, or County)



NYS Public School



NYS Public Park or  
Municipality Camp



## Tier 6 Prior Service Costs

**Members are responsible to claim and obtain verification of the prior service.**

- Members need to submit a Prior Service Claim form to TRS and a Prior Service Verification form to their former employer.
- Forms are available on our website, NYSTRS.org.
- Tier 6 members pay 6% of former salaries, plus 5% compounded interest.

**ACT FAST!**



**The purchase of prior service does not change the member's tier of membership.**

# Tier 6 Prior Service Costs



Susie Substitute joined NYSTRS in 2023, she had prior service earnings of about \$25,000.

She submitted her prior service claim and verification and worked 2 full-time years to be eligible to purchase her Prior Service.

In 2025 Susie could purchase that service for \$1,650.

# Tier 6 Prior Service Costs

2025

\$1,650

10 years

\$2,450

20 years

\$4,000



# Tier 6 Transferring a Membership

An active NYS public membership can be transferred and combined with your current active NYSTRS membership.

## Benefits

- Potentially increase service credit
- Obtain earlier date of membership, earlier Tier.
- **Make sure combining memberships is to your advantage.**



**ACT FAST!**

# Tier 6 Reinstating a Membership

You may be eligible to reinstate if you have a former ceased or withdrawn membership in a NYS public retirement.

## Benefits

- Potentially increase service credit.
- Obtain earlier date of membership, earlier Tier.
- **Make sure reinstatement is to your advantage.**



**ACT FAST!**

# Tier 6 Vesting Requirements



5 years!

- Tier 6 members are guaranteed to receive a reduced, lifetime benefit at age 55 with just 5 years of credited service with the System.
- Tier 6 members can receive an unreduced benefit at age 63.

# Vested Deferred Status

- All Tiers of membership become vested for a benefit after 5 years.
- For members in all Tiers, vesting allows a member to collect a service retirement benefit **as early** as age 55.
- Members in all Tiers who have become vested, but have not rendered creditable service in 7 years, are considered **Vested Deferred**.



# Tier 6 Vested Deferred Status

- Those in Tiers 1-5 in vested deferred status, it is generally suggested to file for retirement as soon as eligible- regardless of any age factor that might be applied.
- For Tier 6 who become vested deferred prior to age 55 are not eligible to file for a service retirement benefit until age 63.
- **Tier 6 members in vested deferred status may file for service retirement benefits between the age of 55-63 if they work a minimum of 20 full-time days in a school year, breaking the vested deferred status.**

# NYSTRS Pension Calculation

- Years of Service (Pension Factor)
- Age at Retirement (Age Factor)
- Final Average Salary



# Tier 6 Pension Factor Calculation

Pension Factor determines the percentage of the Final Average Salary

Tier 6 Pension Factor	
Credited Service	Pension Factor
Less than 20 years	1.67 %
20 years of service	1.75 %
All service beyond 20 years	2.0 %

Example: Tier 6 member has 30 years of service

First 20 years (35%) + next 10 years (20%) = 55% Pension Factor



# Tier 6 Age Factor Calculation

Tier 6 Age Factor	
Retirement Age	% of full Pension Factor
63	100%
62	93.5%
61	87%
60	80.5%
59	74%
58	67.5%
57	61%
56	54.5%
55	48%

## Example of Tier 6 Calculation:

Member has 30 years of service and is age 55

### **Pension Factor:**

20 years (35%) + 10 years (20%) = 55% Pension Factor

### **Age Factor:**

55% Pension Factor X .48 Age Factor = 26.4%

**26.4% Age Adjusted Pension Factor**



# Tier 6 Age Factor Calculation

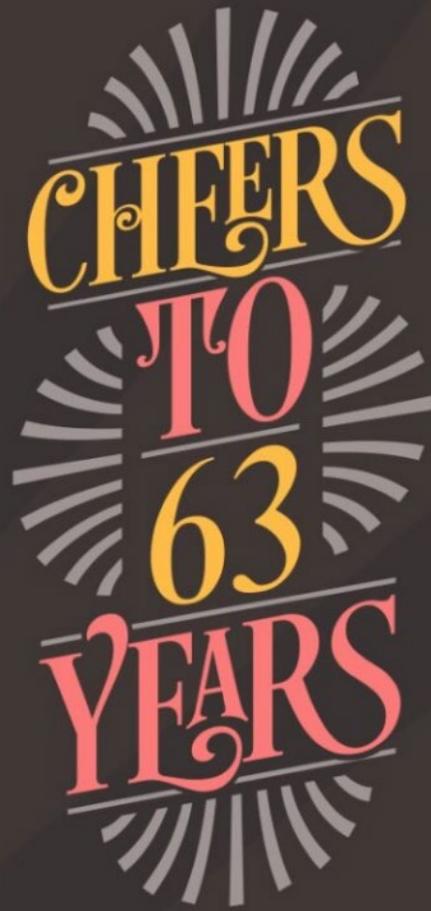
AGE 55
23 Years of Service
19.90% Pension Factor
\$100,000 FAS
<b>\$19,900 Max Pension</b>

AGE 59
27 Years of Service
36.53% Pension Factor
\$100,000 FAS
<b>\$36,530 Max Pension</b>

AGE 63
31 Years of Service
57% Pension Factor
\$100,000 FAS
<b>\$57,000 Max Pension</b>



# Optimal Tier 6 Retirement Age

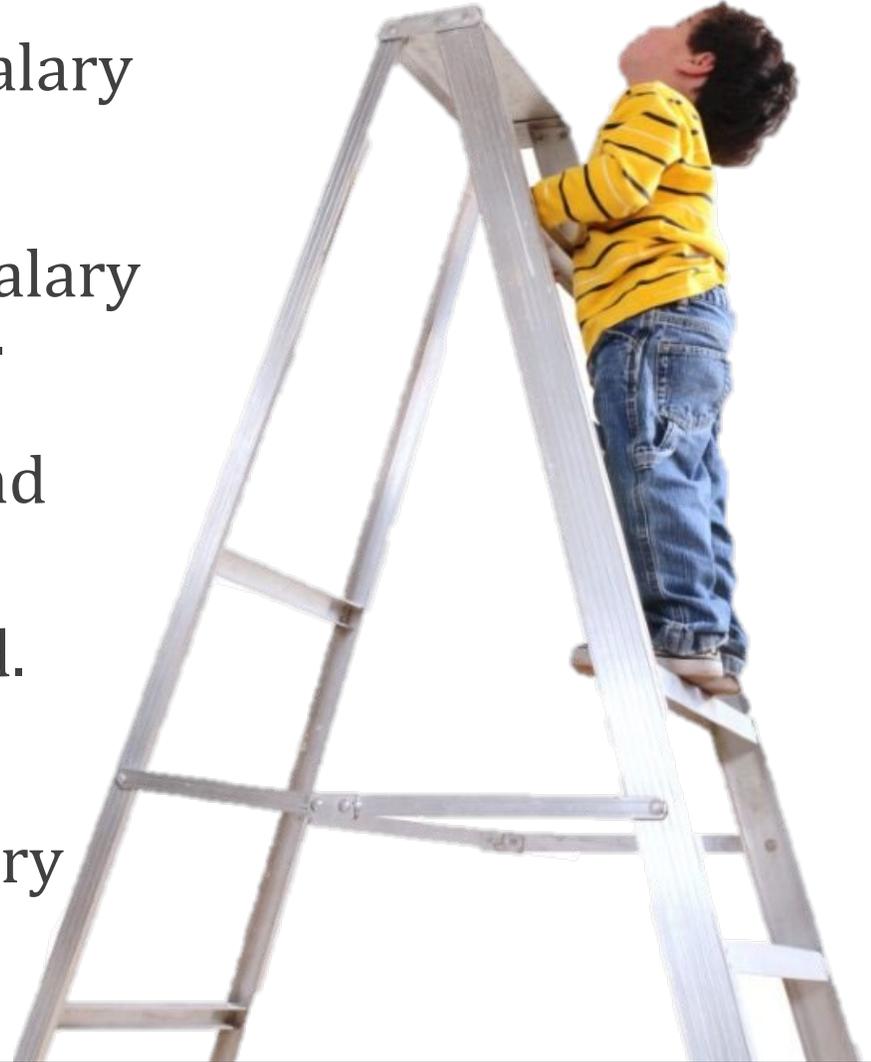


CHEERS  
TO  
63  
YEARS

- At least 63 years of age

# Tier 6 Limitations on Final Average Salary

- FAS is determined using the five highest consecutive full school years of regular salary earned.
- Salary that exceeds the NYS Governor's salary (currently \$250,000) cannot be included.
- When working for multiple employers and over 200 days of service with a single employer, only the two highest-grossing positions per school year can be included.
- Salary increases that exceed 10% of the average of the previous four years of salary are excluded.



# Tier 6 Limitations on Final Average Salary

If working additional duties, such as coaching, chaperoning and extra classes, include them in the last nine years to help ensure they will be added to the Final Average Salary.



# Frequently Asked Questions Answered Annually

- How do I know what service is being reported?
- How do I know what salaries are being reported?
- How do I know the dollar amount of the contributions that you paid into the system?
- Who are my beneficiaries?
- What my pension amount is projected to be as I get close to retirement?



# NYSTRS Resources—Annual *Benefit Profile*

NYSTRS provides our members with an important resource to help keep retirement plans on track

Every year you should check your *Benefit Profile* for accuracy:

- Review your service credit history.
- View your designated beneficiaries.
- See estimates of your benefits in retirement.
- Monitor the service credit and salary your employer is reporting to NYSTRS.



Benefit Profile for School Year Ending 6/30/2023

**New York State Teachers' Retirement System**  
10 Corporate Woods Dr., Albany, NY 12211-2395

**NYSTRS.org**  
(800) 348-7298 | M-F, 8:30-4:15  
Download Our NYSTRS Mobile App

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Personal Snapshot and Pension Benefit Calculation for Tier 6

Date of Membership: 4/1/2012	Month/Year of Birth: XX/XXXX	Your EmplID: XXXXXXXX
Total Service Credit (as of 6/30/2023):		XX Year(s), X Month(s)
Pension Projection for 7/1/2024 (using the Maximum option; see pg. 2):		\$XX,XXX.XX per year
Lump Sum In-Service or Vested Death Benefit (see pg. 3):		\$XX,XXX.XX
Designated Beneficiary(ies) for Death Benefit (see pg. 3):		
Primary- XXXXXXXXX		
Contingent- XXXXXXXXX		
Required Contribution Rate for the 2022-23 school year (see pg. 3, and refer to MES-4 on NYSTRS.org):		4.5%

Your Maximum Annual Pension = Your Pension Factor x Age Factor (if applicable) x FAS

**Pension Factor:** This is determined by your service credit, which you earn per school year (7/1 – 6/30).

- If you retire with less than 20 years of service, your pension factor is 1.67% per year.
- If you retire with 20 or more years, you receive 35% + 2% per year of service above 20.

Service Credit for 2022-2023	Total Service Credit
1 Year	XX Year(s), X Month(s)

**Age Factor:** If you retire before 63, your pension factor is multiplied by an age factor.

Age Factor (prorated by month)	55	56	57	58	59	60	61	62	63+
(In all cases)	48%	54.5%	61%	67.5%	74%	80.5%	87%	93.5%	100%

**Final Average Salary (FAS):** Your FAS is the average of your five highest consecutive school years of regular salary earned for instruction and supervision of students, excluding increases above 10% of the average of the previous four years' salaries. Salary above the NYS Governor's salary is not includable. If you have multiple employers and 200+ days of service with one employer, pensionable salaries are limited to the two highest-grossing positions per school year.

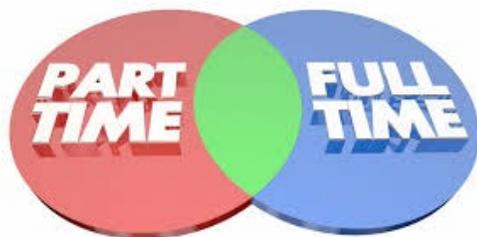
- Partial years are combined to form full-time equivalents.
- If you work part time or retire mid-school-year, earnings at a lower salary could result in a lower FAS and pension.
- We review contracts and make needed adjustments (e.g., if your employer misreports payments as regular earnings).
- W2s report by calendar year and won't equal your school year earnings.

Regular Salary Reported	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019
(For Last Five School Years)	\$XXX,XXX	\$XXX,XXX	\$XXX,XXX	\$XXX,XXX	\$XXX,XXX





SOUND RETIREMENT  
PLAN UPDATE:  
**PENSION PLAN**  
**BENEFITS SECURED**



**WE'RE  
HERE FOR  
YOU**

**Thank you. We appreciate your time.**

