Test your NYSTRS Knowledge
How to Maximize Your Pension

2018 Annual Delegates Meeting
Trivia Subjects

• Service Retirement Pension Calculations
• Key Service Credit Milestones
• Building a Great Pension
• Applying for Service Retirement
What are the components that can influence a member’s pension calculation?

A) Tier Status  
B) Service Credit  
C) Salary  
D) Age  
E) All of the Above
Answer: E) All of the Above

Tier status, service credit, salary and age can all influence a member’s pension calculation.
Service Retirement Formula

Pension Factor  Final Average Salary (FAS)  Age Factor

[If Applicable]
Pension Factor

• The component of the pension calculation formula that is based on a member’s total service credit

• The pension factor (and thus the pension) generally increases with additional service credit
Final Average Salary (FAS)

- The component of the pension calculation formula that is based on a member’s earnings
Age Factor (if applicable)

• The component of the pension calculation formula that may limit the pension if certain age / service requirements are not met at the time of retirement
To earn a full year of service credit, a member must have a minimum of how many full days of employment within the school year?

A) 170 Days
B) 200 Days
C) 220 Days
D) 260 Days
Answer: A) 170 Full Days

To earn a full year of service credit, a member must have a minimum 170 full days of employment within the school year.
Member Service

Each month, the employer reports how many full-time (or full-time equivalent) days of service a member rendered that particular month.

NYSTRS converts those days into months of service credit.

A member may earn up to one year of service credit within a school year.

<table>
<thead>
<tr>
<th>Days Per Year</th>
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</tr>
</thead>
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</tr>
<tr>
<td>20-29</td>
<td>1 month</td>
</tr>
<tr>
<td>30-49</td>
<td>2 months</td>
</tr>
<tr>
<td>50-69</td>
<td>3 months</td>
</tr>
<tr>
<td>70-89</td>
<td>4 months</td>
</tr>
<tr>
<td>90-109</td>
<td>5 months</td>
</tr>
<tr>
<td>110-129</td>
<td>6 months</td>
</tr>
<tr>
<td>130-149</td>
<td>7 months</td>
</tr>
<tr>
<td>150-169</td>
<td>8 months</td>
</tr>
<tr>
<td>170+</td>
<td>9 months</td>
</tr>
<tr>
<td>9 months</td>
<td>1 year</td>
</tr>
</tbody>
</table>
FAQ:
Why don’t I get credit for working summer school?

A) YOU DO!
Service Credit  (July 1 – June 30)

Working Summer School

• Start work July 5.

• Employer reports 10 full-time equivalent days for July and August, and then 20 full-time days for each month beginning with September.

• Member earns a full year of service credit around mid-April with 170 days.
Service Credit  (July 1 – June 30)

Working Academic Year

- Start work September 6.
- Employer reports 20 full-time days for each month beginning with September.
- Member earns a full year of service credit around mid-May with 170 days.
Member Service

Each month, the employer reports how many full-time (or full-time equivalent) days of service a member rendered that particular month.

NYSTRS converts those days into months of service credit.

A member may earn up to one year of service credit within a school year.

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</tr>
<tr>
<td>9 months</td>
<td>1 year</td>
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Summer School

You See the Service as Credit if You:

• Work part-time, or
• Resign mid-year.
Verifying NYS public employment that occurred prior to joining NYSTRS will place a member in an earlier tier?

A) True
B) False
Answer: B) False

Unless a member held a membership in a NYS public retirement system at the time of the service, s/he does not go back to an earlier tier when prior service is verified.
Tier Structure

Tier 1: Before 7/01/73
Tier 2: 7/01/73 - 7/26/76
Tier 3: 7/27/76 - 8/31/83
Tier 4: 9/01/83 - 12/31/09
Tier 5: 1/01/10 - 3/31/12
Tier 6: 4/01/12 - Present
Reinstatement

Brings back a former NYS public retirement system membership that ceased or was withdrawn.*

Including:

• Date of membership and associated NYSTRS tier
• Service credit
• Salaries

*Must pay back contributions refunded plus 5% interest if applicable.
Transfer

Brings over an *active* membership from another NYS public retirement system. Including:

- Date of membership and associated NYSTRS tier
- Service credit
- Salaries
- Contributions
Prior Service

Verifies NYS public employment rendered prior to the current NYSTRS membership.

This process:

• Does NOT change the date of membership or tier status
• Does increase service credit, which will increase the pension factor percentage used in the pension calculation
• Typically, will increase in cost 5% per year
Compounded Interest

Optional NYSTRS Membership

Member Scenario One
- Begins working November 2018
- **Joins NYSTRS** November 2018
- Pays 3% of salary ($29,400)
- Earns 7 months of service credit
- \( \$29,400 \times 3\% = \$882 \) contributions through payroll

Member Scenario Two
- Begins working November 2018
- **Elects not to join NYSTRS** until 2019
- Earns $29,400; no contributions paid
- Verifies the 7 months of prior service
- \( \$29,400 \times 6\% = \$1,764 \) PLUS 5% interest compounded annually
- If not purchased until 2028, being charged 5% compounded interest increases the prior service cost to approximately \$2,873
Benefits of Joining NYSTRS

Membership

• Locks in tier status
• Ensures member service is credited right away, and would not need to be purchased at an additional cost later
• Helps qualify member for benefit eligibility sooner
30 years of service can be an important milestone for which tiers?

A) Tiers 1-2
B) Tiers 3-4
C) Tiers 2-5
D) Tiers 3-6
Answer: C) Tiers 2 – 5

30 years of service can be a significant milestone for Tier 2 – 5 members.

**Tiers 2 – 4:**
- Members may retire without an age factor as *early as age 55.*

**Tier 5:**
- Members may retire without an age factor as *early as age 57.*
Service Retirement Formula

Pension Factor  Final Average Salary (FAS)  Age Factor (If Applicable)
## Age Factor, Tier 2 or 4

<table>
<thead>
<tr>
<th>Age</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>62</td>
<td>100%</td>
</tr>
<tr>
<td>61</td>
<td>94%</td>
</tr>
<tr>
<td>60</td>
<td>88%</td>
</tr>
<tr>
<td>59</td>
<td>85%</td>
</tr>
<tr>
<td>58</td>
<td>82%</td>
</tr>
<tr>
<td>57</td>
<td>79%</td>
</tr>
<tr>
<td>56</td>
<td>76%</td>
</tr>
<tr>
<td>55</td>
<td>73%</td>
</tr>
</tbody>
</table>

No age factor with 30 years of service credit!
## 30 Years Can Be Significant

### Tier 4 Member, 55 Years of Age

<table>
<thead>
<tr>
<th>29 Years 8 months</th>
<th>Final Average Salary</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
<td>$100,000 x .43508 = 43,508</td>
<td></td>
</tr>
</tbody>
</table>

**Calculation**

\[
\text{30.8 \times 2\%} = 59.6\%
\]

\[
59.6\% \times .73 = 43.508
\]

\[
$100,000 \times .43508 = $43,508
\]

<table>
<thead>
<tr>
<th>30 Years</th>
<th>Final Average Salary</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
<td>$100,000 x .6000 = $60,000</td>
<td></td>
</tr>
</tbody>
</table>

**Calculation**

\[
\text{30 years \times 2\%} = 60\%
\]

No age factor with 30 years
# It Is Not Always Significant

## Tier 4 Member, 62 Years of Age

<table>
<thead>
<tr>
<th>Final Average Salary</th>
<th>Calculation</th>
<th>No age factor at 62 years old</th>
<th>29 Years 8 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
<td>29.8 x 2% = 59.6%</td>
<td>$100,000 x .5960 = $59,600</td>
<td></td>
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</tbody>
</table>

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<th>30 Years</th>
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<tr>
<td>$100,000</td>
<td>30 years x 2% = 60%</td>
<td>$100,000 x .6000 = $60,000</td>
<td></td>
</tr>
</tbody>
</table>
When 30 Years Are Simply 30 Years

• **Tier 1**: There’s no age factor.

• **Tiers 2 – 5 (over 62 years of age)**: Age factor is eliminated at 62.

• **Tier 6**: Age factor eliminated at 63 years of age; service credit cannot eliminate age factor.
30 Years of Service Credit

Depending on a member’s tier and/or age, 30 years of service may (or may not) be a significant milestone.
20 years of service credit brings a change to the way the Pension Factor is calculated for all but which tier?

A) Tier 1
B) Tier 2
C) Tier 3
D) Tier 4
E) Tier 5
F) Tier 6
Answer: E) Tier 5

For a Tier 5 member, the pension factor increases from 1.67% to 2% for each year (up to 30 years) of service when the member achieves 25 years of service credit.
20 Years of Service Credit

**Tiers 1-2:** The pension factor no longer includes a service-related reduction.

**Tiers 3-4:** The pension factor increases from 1.67% to 2%, for up to 30 years of service.

**Tier 6:** The pension factor increases from 1.67% to 1.75% per year (i.e., 35% for the first 20 years) plus 2% for each year beyond 20.
The pension calculation is always based on the final year of salary earned?

A) True
B) False
Answer: B) False

The Final Average Salary (FAS) is the average of a member’s highest consecutive school years of regular income.
3-Year Final Average Salary

- The 3-year FAS only includes regular compensation, which covers the instruction or supervision of students (coaching, chaperoning, etc.)

- The 3-year FAS cannot include any form of non-regular compensation (e.g., payments in lieu of health insurance; bonuses) or termination pay (e.g., payments for unused leave; local retirement incentives)
3-Year FAS Limitations

**Tier 1***: 20% increase over previous year

**Tier 2**: 20% increase over average of previous two years

**Tiers 3-5**: 10% increase over average of previous two years

*Tier 1 members may also be eligible for a different calculation.*
Salary Limitations

Example: Tiers 3 – 5

(Cannot exceed 10% increase over average of previous two years)

<table>
<thead>
<tr>
<th>School Year Ending</th>
<th>Salary Earned</th>
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<tbody>
<tr>
<td>2018</td>
<td>$74,000</td>
</tr>
<tr>
<td>2017</td>
<td>$72,000</td>
</tr>
<tr>
<td>2016</td>
<td>$70,000</td>
</tr>
<tr>
<td>2015</td>
<td>$62,000</td>
</tr>
<tr>
<td>2014</td>
<td>$60,000</td>
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$72,000 Average
## Salary Limitations

**Example: Tiers 3 – 5**

(Cannot exceed 10% increase over average of previous two years)

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<tr>
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<td>$60,000</td>
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\[
\text{Average of previous two years} = \frac{62,000 + 60,000}{2} = 61,000
\]

\[
\text{Salary Limitation} = 61,000 \times 1.10 = 67,100
\]
Salary Limitations

Example: Tiers 3 – 5

(Cannot exceed 10% increase over average of previous two years)

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Salary Limitations

Example: Tiers 3 – 5

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## Salary Limitations

Example: Tiers 3 – 5

(Cannot exceed 10% increase over average of previous two years)

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Salary Limitations
Example: Tiers 3 – 5

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$71,033 FAS
Tier 6 Has a 5-Year FAS

- Average of five highest consecutive full school years of regular salary earned
- Salary greater than the NYS Governor’s salary (currently $179,000) cannot be included
- For those with multiple employers and 200+ days of service with a single employer, only the two highest-grossing positions per school year can be included
- Salary increases exceeding 10% of the average of the previous four years’ salaries are excluded
If a member retires mid-year, NYSTRS will determine the Final Average Salary by:

A) Omitting the partial year of pay from consideration.
B) Building full-year equivalent salaries.
C) Assuming the full-year salary had been paid.
D) Adding the partial year of pay to the previous three years of regular earnings.
Answer: B) Building full-year equivalent salaries

If a member retires mid-year, NYSTRS will determine the FAS by building full-year equivalent salaries.
3-Year FAS, Retiring Mid-Year

2018-2019 salary = $80,000
Retire February 1

• Worked 100 days and earned half of the full year salary ($40,000 of $80,000)

• Use two full years from school years ending 2018 and 2017

• Use 100 days of 2015-2016 full year salary ($37,000 of $74,000)

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<tr>
<th>School Year</th>
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<td>2018-2019</td>
<td>$40,000</td>
<td>100 days</td>
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<td>200 days</td>
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<td>2016-2017</td>
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<td>200 days</td>
</tr>
<tr>
<td>2015-2016</td>
<td>$37,000</td>
<td>100 days</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$231,000</strong></td>
<td><strong>600 days (3 years)</strong></td>
</tr>
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</table>

$231,000 / 3 = FAS $77,000
3-Year FAS, Retiring Mid-Year

2018-2019 salary = $80,000
Retire February 1 with additional service at a lower pay rate

- Worked 100 days and earned half of the full year salary ($40,000 of $80,000) and coached volleyball ($2,500) and earned additional 10 days of service credit from hours
- Use two full years from school years ending 2018 and 2017
- Use only 90 days of 2015-2016 full year salary ($33,300 of $74,000)

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<th>Days Used</th>
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</thead>
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<tr>
<td>2018-2019</td>
<td>$42,500</td>
<td>110 days</td>
</tr>
<tr>
<td>2017-2018</td>
<td>$78,000</td>
<td>200 days</td>
</tr>
<tr>
<td>2016-2017</td>
<td>$76,000</td>
<td>200 days</td>
</tr>
<tr>
<td>2015-2016</td>
<td>$33,300</td>
<td>90 days</td>
</tr>
<tr>
<td>Total</td>
<td>$229,800</td>
<td>600 days</td>
</tr>
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$229,800 / 3 = FAS $76,600
If a Tier 2-4 member stops working before retirement age, NYSTRS suggests that the member retire at:

A) Age 55  
B) Age 60  
C) Age 62  
D) Age 65
Answer: A) Age 55

It is almost always to a member's advantage to retire on the first day he or she meets the eligibility requirements and is no longer employed.
## Comparison of Pension

### Tier 4 Member

<table>
<thead>
<tr>
<th>Age</th>
<th>Final Average Salary</th>
<th>Calculation</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>62 years</td>
<td>$100,000</td>
<td>29 years x 2% = 58%</td>
<td>$100,000 x 0.58 = $58,000</td>
</tr>
<tr>
<td>55 years</td>
<td>$100,000</td>
<td>29 years x 2% = 58%</td>
<td>0.58 x 0.73 = 42.34%</td>
</tr>
</tbody>
</table>
$42,340 \times 7 \text{ years} = $296,380
Comparison of Annual Benefit

At age 62: $58,000
At age 55: -$42,340
Difference: $15,660
When Would You Break Even?

Lost payments: $296,380
Change annually: $15,660

\[ \frac{296,380}{15,660} = 18.92 \text{ years} \]

Retire at age 62 + 19 years = Break even at age 81!

(If you were to invest any of those payments, break even would be even later.)
When should a member submit a *Service Retirement Application*(RET-54)?

A) The day the letter of resignation is submitted to the employer.

B) Up to 90 days prior to the effective date of retirement.

C) Never; the employer submits the application for the member.

D) What is a retirement application?
Answer: B) Up to 90 days prior to the effective date of retirement

A member may submit an application for service retirement to NYSTRS up to 90 days prior to the effective date of retirement.
Retirement Application

The Application for Retirement (RET-54) can be filed with NYSTRS from zero to 90 days before the member’s retirement date.

The member’s resignation must be effective at least one day before the retirement date.

Example: Resign - June 30
Retire - July 1
Retirement Application

• The online application features built-in logic that ensures you do not inadvertently miss a step or make a mistake that would cause the paper application to be rejected or delayed in processing.
How can a member verify benefit information?

A) Visit NYSTRS.org
B) Attend a Pension Retirement Education Program (PREP Seminar).
C) Request an Individual Consultation.
D) Review the Annual *Benefit Profile*.
E) Call (800) 348-7298.
F) All of the Above.
Answer: F) All of the Above

A member can visit our website, attend benefits presentations, schedule an individual consultation, review his or her own Benefit Profile, and/or call NYSTRS to verify benefit information.
Connect with NYSTRS

• Call us Toll-Free: 800-348-7298

• Email us at: communit@nystrs.org

• Use Secure Messaging in MyNYSTRS
Resources – Just for You

Delegate News

- Emails that keep delegates (and alternates) informed of important System information and policies.
- We encourage you to share the Delegate News.
The Delegates Page on NYSTRS.org features:

• Annual Delegates Meeting agenda, photos, information, and PowerPoint presentations.

• Copies of the Delegate News emails.

• Delegate election guidelines and election results as reported by districts.