



New York State Teachers' Retirement System

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NYSTRS Benefits Pt. 3:

Calculation of a NYSTRS Benefit

Video Transcript

Hello and welcome to part three of our NYSTRS' Benefits series. In this video, we'll cover the calculation of a service retirement benefit, which is the benefit most members will receive at the end of their public service careers.

The general formula that determines this benefit is pension factor times age factor times your Final Average Salary, or FAS. Let's take a closer look at that formula.

Pension Factor

Think of the pension factor as a percentage of your final average salary. In general, every additional month of service credit you receive raises the pension factor. Say you retire under Tier 4. If you have less than 20 years of service, the pension factor is 1.67% per year of service credit. The pension factor increases to 2% per year if you have between 20 and 30 years of service. If you continue to work beyond 30 years you receive 2% a year for the first 30 years and an additional 1.5% for each year beyond 30.

Let's look at some specific examples:

- If you retire with 15 years of service, you multiply 1.67% (the pension factor) and 15 (your years of service). Assuming you meet the applicable age requirement, something we'll discuss next, your retirement benefit would be 25.05% of your final average salary.
- If you retire with 35 years of service, you multiply a 2% pension factor and your first 30 years of service to arrive at 60% **THEN** you add an additional 1.5% for each full year you worked beyond 30 years. In this example, you worked five more years, so you add 7.5% to the total – making your retirement benefit 67.5% of your final average salary.

The calculations are slightly different for Tier 5 and 6 members. See the Benefits section of our *Active Members Handbook* for details. The *Handbook* is available on our website at NYSTRS.org.

Age Factor

Here's what you need to know about the age factor: As long as you meet certain age and/or service requirements at service retirement, it's not an issue. The age factor comes out of the pension formula.

Sticking with our Tier 4 example, an age factor only applies if you retire before age 62 with less than 30 years of service credit. In that case, you'll receive a percentage of the previously calculated pension factor, prorated by month. The closer you are to 62 when you retire, the higher the percentage you'll receive.

For example, if you retire at 55 with less than 30 years of service credit, you'll receive 73% of your pension factor. If you retire at 61 with less than 30 years of service credit, you'll receive 94% of your pension factor. The applicable percentages are mandated by New York State law.

As with the pension factor, the rules and percentages differ for Tier 5 and 6 members. We again point you to the Benefits sections of our *Active Members' Handbook* for details.

FAS

The final component of the pension formula is Final Average Salary. Your FAS is generally the average of your highest three consecutive school years of regular salary earned, whenever they occur in your salary history. For Tier 6, by law it's the average of your highest five years.

Regular salary covers the instruction and supervision of students. In addition to your regular teaching duties, salary you earn for coaching, supervision of traditional after-school clubs, tutoring, chaperoning, and summer school is generally usable in the calculation of your FAS.

Examples of payments typically not part of your FAS include:

- Non-regular compensation (such as one-time bonuses and payments in lieu of health insurance);
- Termination pay (such as local retirement incentives and payments for unused leave); and,
- Certain salary increases in your FAS years.

Salary greater than the NYS governor's salary is also excluded from the Tier 6 FAS calculation. Other restrictions exist for Tier 6 members with multiple employers. See the *Handbook* for more information.

Key Milestones

For all tiers, there are key service milestones that can have a tremendous impact on your pension. It's important you know and understand these milestones, so let's take a look at what a difference even one year can make.

If you're a Tier 4 member retiring at age 55 with 29 years of service credit, your pension factor will be 58%. Since you're under age 62 and have less than 30 years of service credit, an age factor will also apply. The age factor at age 55 is 73%, so instead of receiving a benefit equal to 58% of FAS, you'll actually qualify for a Maximum benefit of around 42% of your FAS.

Since there's no age factor in Tier 4 with 30 or more years of service credit, if you work just *one more year* you'd receive a Maximum benefit of 60% of your FAS. With a \$70,000 FAS, that equates to a difference of over \$12,000 *per year* in your Maximum benefit. That's a significant difference.

Resources

Your annual *Benefit Profile* includes a list of milestones for your tier and a breakdown of the pension calculation formula. Depending on your age and service credit, your *Profile* may also include estimates of your pension.

If you're over 40, use the Pension Estimator in your online MyNYSTRS account to project estimates of your pension under various scenarios. You can also request a pension estimate by calling NYSTRS at (800) 348-7298.

NYSTRS also offers a Pension & Retirement Education Program (PREP) for members of all ages. PREP topics include NYSTRS benefits, financial planning, Social Security, estate planning and more. Stay for the entire day-long seminar, or just attend the modules that help you most. Register for a PREP seminar online through your MyNYSTRS account, or by calling us.

And use our mobile app to review the key service milestone for your tier, access the dates and locations of upcoming PREP seminars, and track how close you are to retirement using the Countdown to Retirement feature. The app is available for Apple and Android devices.

Conclusion

These resources will help you plan ahead so, when the time comes for retirement, you can make educated decisions about your benefits. Thanks for watching!