



BERS WORDS

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

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FROM THE EXECUTIVE DIRECTOR

Dear Members:

I welcome this opportunity to open a line of communication to all BERS members, active and retired, that will afford members and staff a means of exchanging information.

In this issue we present topics which we know are of concern to members. I invite you to write us with any questions you may have on

these and any other retirement system matters so that we may address them in future issues. Please direct your letters to "Editor, BERS WORDS" at the address shown below.

Yours sincerely,

Horatio Sparkes

OVERVIEW OF BERS

The Board of Education Retirement System of the City of New York (BERS), was established in 1921 under the state Education Law as one of five public retirement systems covering employees of New York City and city-related agencies. Total membership in BERS is approximately 37,000, of which about 9,000 are retirees. The system's assets exceed \$1 billion.

BERS membership is composed of employees of the Board of Education who are in administrative positions or are substitute teachers; employees of the Police Department in the title of School Crossing Guard; and employees of the NYC School Construction Authority. There are also members in various other city agencies who are "transferred contributors", that is, members who transferred to a position covered by another city retirement system but who elected to maintain membership in BERS.

In addition to the Education Law, the rights and responsibilities of BERS, its members, the Board of Education and the City of New York with respect to system benefits are defined in and governed by the State Retirement & Social Security Law, the Administrative Code of the City of New York, the Internal Revenue Code, BERS Rules & Regulations and other state and federal laws and regulations.

Overall governance of BERS is by a board of trustees, known as the Retirement Board, with administrative responsibilities entrusted to an Executive Director and a staff of approximately 50. The Retirement Board is comprised of the seven members of the Board of Education plus two employee members of BERS who are elected by the membership to four year terms. No action of the board may be effective without the concurrence of at least one employee member.

We would like to hear from you. Please let us have your comments on our newsletter, any questions on the enclosed articles or any specific concerns you would like to see addressed. Please direct your comments and questions to Editor, **BERS WORDS, Board of Education Retirement System, 65 Court Street, Room 1603. Brooklyn, N.Y. 11201.**

PROFILE OF BERS EMPLOYEE MEMBERS

Catherine Bruno and Charles Haughey were re-elected to serve as Employee Members of the Retirement Board for the 4 year period expiring on December 31, 2000. The presence of Employee Members on the board assures that the interests and concerns of the membership are addressed and BERS Rules and Regulations provide that no vote of the board shall be effective without the concurrence of at least one Employee Member. Members may communicate with Ms. Bruno and Mr. Haughey on retirement system matters by writing to them at BERS address as shown at the bottom of page 1.

Catherine Bruno

Ms. Bruno serves as Vice Chairperson of the Retirement Board. She is 3rd Vice President of Local 372, District Council 37 which represents over 18,000 Board of Education Employees.

Catherine has been a member of Local 372 for 36 years and for 33 years was Shop Steward at P.S. 48 in District 20, Brooklyn while employed as a school aide.

In addition, Catherine is a political activist and a consumer activist who has helped people throughout the U.S. and abroad. She has

served for 17 years as Consumer Chairperson for Local 372.

Ms. Bruno is dedicated to representing the interests of all members of the Board of Education Retirement System in her position as Vice-Chairperson and Employee Member of the Retirement Board.

Charles Haughey

Mr. Haughey, a 32 year public employee, is currently the Custodian Engineer at New Stuyvesant High School in Manhattan. Elected to the Retirement Board for over 8 years, he has served on a broad variety of committees.

Charlie is Past President of Local 891, International Union of Operating Engineers. Working as Legislative Director for the union and the Public Employees' Conference for over 20 years he spearheaded legislation beneficial to the members of the retirement system, including Tax Deferred Annuity Program loans and the requirement for the vote of at least one BERS Employee Member to approve a board motion.

With this background and as a former Chairman of the Retirement Board, Mr. Haughey provides a rich resource to the board, staff and the membership as a whole.

THE CALCULATION AND COST OF RETIREMENT CREDIT FOR PART-TIME AND HOURLY SERVICE

The Board of Education Retirement System (BERS) has a unique place among the New York City Public Retirement Systems in that BERS has the most diverse membership. Membership eligibility is extended to all annual/hourly/part-time administrative and custodial employees; school crossing guards; and regular and per-diem substitute teachers. A consequence of this diverse membership is that various methods of equating and calculating service are required.

Employees rendering service on a part-time basis are required to work a certain number of hours that will be pro-rated and

equated to one pension year. It will take a part-time employee such as a school aide, school lunch aide/helper, school crossing guard, 1470 hours to realize one pension year.

Administrative hourly workers must serve 1827 hours to receive credit for one year, and regular and per-diem substitute teachers must have 180 days of service to be credited for one year of pension service. In many cases, depending on the number of hours worked per day, part-time employees must sometimes work two calendar/school years to equal one pension year.

This can be a confusing concept for members who have been working for the school

THE CALCULATION AND COST OF RETIREMENT CREDIT FOR PART-TIME AND HOURLY SERVICE (*con't*)

system for many years, yet when they visit the retirement system for counseling or to receive a report of available prior service to “buy-back”, they are advised that their pension service and available prior service is less than they expected.

In addition to calculating the amount of service, there are different methods of calculating the cost of Tier I/II service and Tier III/IV service. Service cost for members of Tier I or Tier II is determined by calculating a Final Average Salary and applying the appropriate Tier I or Tier II certified contribution rate.

Members in Tier III/IV are required to contribute 3% of their gross earnings, so the cost is arrived at by applying 3% to the salary they earned in the year they are “buying” plus interest to the date of “purchase”. Tier II, III, IV members who are participants in the “Early

Retirement” Programs of 55/25 or 57/10 are required to contribute 4.35% or 6.33% above the normal 3% contribution rate and may have to “buy-back” prior service at the higher contribution rate, plus interest. This is determined by the membership date.

It is always best to contact the retirement system office if you have a question on the amount of service for which you have been credited or the buy-back cost. A member who believes they are entitled to more service than is being credited to them, may be asked to verify their earnings for a particular year(s).

Acceptable forms of verification are W2 forms or Social Security Earning Summaries that not only supply earnings but also list the employer. Social Security Earning Summaries that do not identify the employer cannot be accepted as proof of employment/earnings.

REQUIRED MINIMUM DISTRIBUTIONS FOR TDA

IRS regulations specify that certain retirement plans are subject to Minimum Distribution requirements. The BERS TDA Program is one of those retirement plans. Basically, the Minimum Distribution requirements say that you need to take a calculated amount out of your TDA each year starting on your Required Beginning Date.

For Minimum Distribution purposes, your account is divided into two portions. The first is your post 1986 account balance. It consists of all contributions and earnings credited since December 31, 1986 (including earnings on the December 31, 1986 account balance). The second portion of your account is the December 31, 1986 balance, which is the value of your account on December 31, 1986 adjusted (reduced) by certain withdrawals made since then.

The Required Beginning Date for your post 1986 account balance is the April 1 of the year following the later of: 1) the year in which you separate from service and 2) the year in

which you attain age 70 1/2. The date you must begin taking Minimum Distributions on your December 31, 1986 balance is December 31 of the year in which you reach age 75 (regardless of employment status).

The IRS allows you to elect one of four available methods to calculate the amount you need to receive each year. Two of the methods are based on your life expectancy (as determined using IRS tables) and the other two are based on a joint life expectancy (of you and your spouse/beneficiary). Each method produces a different amount and once elected, the election becomes irrevocable.

Required Minimum Distribution payments are not subject to 20% mandatory withholding (as is the case with other payments from a TDA). Instead, you have the option of having 10% or nothing withheld. Minimum Distributions are also not eligible for rollover to another TDA or IRA. Most importantly, a 50% Excise Tax is imposed by the IRS for amounts required to be distributed that are not.

REQUIRED MINIMUM DISTRIBUTIONS FOR TDA (con't)

If you have more than one TDA account, you can combine the accounts for purposes of calculating the Required Minimum Distribution amount and then take the distribution from only one TDA account. However, you cannot combine Required Minimum Distribution amounts from a TDA with an IRA.

In order to satisfy the Minimum Distribution requirements, you need to elect a distribution option prior to your Required Beginning Date. Those options include taking a lump sum equal to the amount of the Required Minimum Distribution for that year, using your

entire account balance to pay an annuity over your lifetime or life expectancy, or taking a series of periodic payments of at least the Required Minimum Distribution amount over your lifetime or life expectancy.

BERS will assist you in satisfying the Minimum Distribution Requirements by notifying you annually starting when you approach your Required Beginning Date. BERS will also calculate the amount of your Required Minimum Distributions annually based on the method and, if applicable, the beneficiary you select.

QUESTIONS AND ANSWERS

Q. Can I take a loan from my TDA account?

A. BERS is currently working on administrative provisions to allow members to borrow from their TDA account. TDA loans will be available later this year.

Q. When must I take a required minimum distribution from my TDA account?

A. Post 1986 account balance distributions must begin April 1 following the later of the year you reach age 70 1/2 or you retire, and every year thereafter. Pre 1987 account

balance distributions must be made by the year you reach 75 even if you are still in active service, and every year there after.

Q. Is everyone eligible for prior service buy back?

A. Because buy back rules are different for each tier, you should contact BERS if you think you are eligible to buy back service. Proof of service will be required to determine the amount of service you may be eligible to purchase.

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