

enhancing your benefits with pension maximization



Life Insurance Products: • Are Not a Deposit of Any Bank • Not FDIC Insured • Are Not Insured
by Any Federal Government Agency • Are Not Guaranteed by Any Bank or Savings Association
• Variable Life Insurance May Go Down in Value



agenda

- NYS ERS Pension Overview
- Decisions...decisions
- Pension Maximization: points to consider
- Pension Maximization in action



NYS ERS Pension Overview



NYS ERS Pension Overview

How is your ERS Pension Benefit* calculated?

■ 3 Criteria

1. Age at Retirement

2. Total Years of Service

3. Final Average Salary

- Highest 3 Consecutive Years (Any one year cannot be more than 10% of the average of the previous 2)
 - Tier 6 is a 5 Year FAS
- Overtime pay is included, up to an annual maximum (Tier 5&6)
- Unused vacation pay may be included (30 days maximum)

NYS ERS Pension Overview

How is your ERS Pension Benefit* calculated?

Actual Earnings	Limit	Earnings Allowed
Year 1: \$39,000	$[(32,000 + 31,000) \div 2] \times 1.1 = 34,650$	\$34,650
Year 2: \$32,000	$[(31,000 + 26,000) \div 2] \times 1.1 = 31,350$	\$31,350
Year 3: \$31,000	$[(26,000 + 25,000) \div 2] \times 1.1 = 28,050$	\$28,050
Year 4: \$26,000		
Year 5: \$25,000		
		$\$94,050 \div 3 = \$31,350$ FAS

NYS ERS Pension Overview

NYS ERS Pension Benefits

- One of the best funded pension programs in the U.S.
- “Guaranteed” Lifetime Income
- Typically the largest source of retirement income for ERS members who maximize benefits
- Consistency, Stability, Peace of Mind



NYS ERS Pension Overview

NYS ERS Pension Limitations

- Inflexible after 30 days of retirement
- Pension Option and Beneficiaries cannot be changed or altered regardless of personal needs, income needs, family/marital changes, etc.
- Very low Cost-of-Living increases
- Can have 10-20% permanent reduction for providing lifetime income to a spouse/significant other
- No pension if NYS employee passes away before retirement
- Permanent reduction if certain ERS Age and YOS milestones are not met

Age at Retirement	Percentage of Reduction
55	38.33
56	33.33
57	28.33
58	23.33
59	18.33
60	13.33
61	6.67
62	0

NYS ERS Pension Overview

NYS ERS Pension Options

- Age 60, Spouse 56, 30 Years Of Service, \$100,000 FAS

<u>Option Name</u>	<u>Percentages</u>	<u>Benefit Amount</u>
Single Life:	100.00%	\$60,000.00
+Joint Allowance Full:	88.26%	\$52,956.00
+Joint Allowance 75%:	90.93%	\$54,558.00
+Joint Allowance Half:	93.76%	\$56,256.00
+Joint Allowance 25%:	96.78%	\$58,068.00
*5 Year Certain:	99.49%	\$59,694.00
*10 Year Certain:	98.20%	\$58,920.00
+Pop-up Joint Allow Full:	87.30%	\$52,380.00
+Pop-up Joint Allow 75%:	90.16%	\$54,096.00
+Pop-up Joint Allow Half:	93.22%	\$55,932.00
+Pop-up Joint Allow 25%:	96.49%	\$57,894.00

decisions...
decisions

decisions...decisions

What to do with the assets from your pension plan?*

- Within NYS ERS, you are offered the following choices when you are about to retire:
 1. Take a single life pension benefit with no “survivor benefit”
 2. Take a reduced pension benefit with a “survivor benefit”
 - Joint Allowance
 - Pop-Up

important note

The spouse must sign a waiver to make it clear that a single life pension is acceptable.

decisions...decisions

single life

Single Life Pension Benefit:

- Advantage:
 - You will receive the highest income level as long as you live
- Disadvantage:
 - Once you pass away, your spouse, if still living, is not entitled to any remaining portion of the benefit

decisions...decisions

joint life

Joint Life Pension Benefit:

- Advantage:
 - Your spouse will receive a portion of your pension benefit if you should pass away before him/her
- Disadvantage:
 - While you are living, you and your spouse will receive a smaller benefit than if you had elected the single life option

In many plans, if you select the joint and survivor benefit and your spouse dies first, the retiree continues to receive reduced pension benefits. In this circumstance, the retiree and spouse received no benefit from this election.

NYS recommended process



MAXIMUM OR AN OPTION Choosing a Benefit Payment Right for You



THE PROCESS

1. Get benefit payment estimates either (a) at a consultation with a NYSTRS representative (*see the Benefits Consultations page at NYSTRS.org for sites and scheduling information*), (b) by using the Pension Estimator in the MyNYSTRS area of our website (*account required*), or (c) by requesting benefit projections be mailed to you (*call us at (800) 348-7298, Ext. 6020*). In all cases, provide the following information:
 - **Retirement date(s).** Request estimates for different dates to see how much your benefit increases if you continue to work.
 - **Current and future salaries,** including additional earnings (e.g., summer school, coaching, etc.). If you do not know your salaries, we will assume 2% increases per year over the last known salary.
 - If your date of membership is prior to June 17, 1971, the **amount and expected date of any payments** for unused sick or vacation leave, or a local retirement bonus or incentive.
 - The **date of birth and gender of your beneficiary** for estimates of the survivor options that guarantee a lifetime income for one beneficiary.
2. Review all sources of income and research your eligibility for (and the cost of) private life insurance. If another person is dependent on your income, determine what he/she will need to live comfortably should you predecease him/her.
3. File your retirement application with NYSTRS. (Resigning from your employer does **not** automatically trigger your retirement from NYSTRS and the payment of your benefit.) Complete your retirement application online in MyNYSTRS (age 55+) or submit a paper application (RET-54), which you may print from the Forms page at NYSTRS.org or request by calling (800) 782-0289. Be sure to select the benefit payment choice that best meets your needs and those of your beneficiary.
4. You may change, if necessary, the benefit payment you selected at retirement up to 30 days after your date of retirement. To do so, complete and file with NYSTRS the *Election of Retirement Benefit* (RET-54.6) form, which is available on the Forms page of our website or by calling (800) 782-0289.



pension maximization: points to consider



pension maximization: points to consider

objectives

Your objectives:

- Maximize your pension benefit during your lifetime
- Help provide for your spouse's financial independence through individual life insurance coverage
- Use existing savings to supplement your retirement income



pension maximization in action

A hypothetical example:

	Single Life: No Survivorship Benefit	With 50% Survivorship Benefit	
Carl's Monthly Income at Retirement (Age 60)	\$5,000	Carl	Catherine
		\$4,400	\$2,200

pension maximization in action

A hypothetical example:

**\$5,000/month Pension
while Living**

Single Life

ERS Employee Passes
Away

- Nothing to Survivor

**\$4,400/month Pension
while Living**

Survivorship Option

ERS Employee Passes
Away

- \$2,200/month from NYS to Spouse (taxable @ ordinary income) for spouses life



pension maximization in action

Single Life with individual Life Insurance

**\$5,000/month Pension while
Living**

Single Life with Life Insurance

Highest Income Benefit
while both are Living

ERS Employee Passes Away

- No Benefit from NYS to Spouse
- Lump-Sum Tax-Free Death Benefit to Spouse/Children
- Proceeds from Death Benefit produce income for spouse/children

Spouse Passes Away

- Change Beneficiaries
- Reduce/Eliminate L.I. Premiums (Single Life)
- Surrender L.I. to receive potential Cash Value



is pension maximization right for you?

This depends on a number of factors, such as:

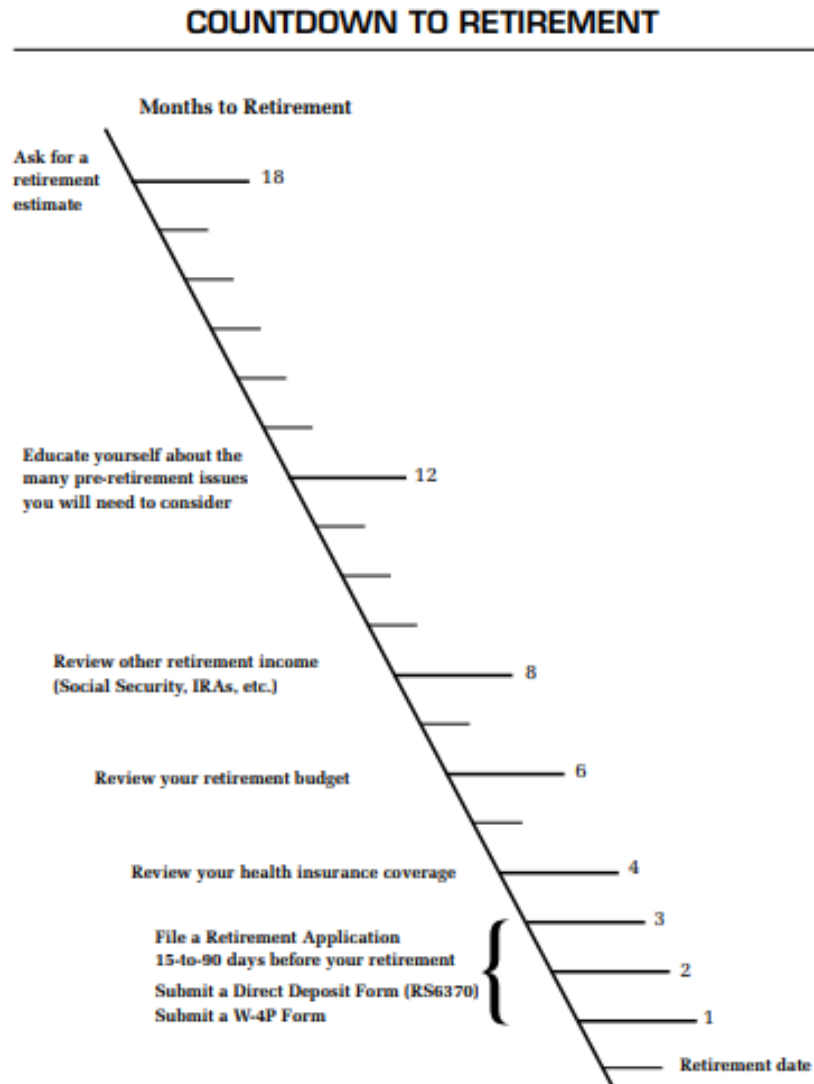
- Your financial situation
- Your health
- Your objectives
- The options you have under your employer's retirement plan

It is assumed that this is a Defined Benefit Pension Plan and there is no lump sum distribution option.



when should I start thinking about pension planning?

NYS ERS Recommendation




Our Recommendation:

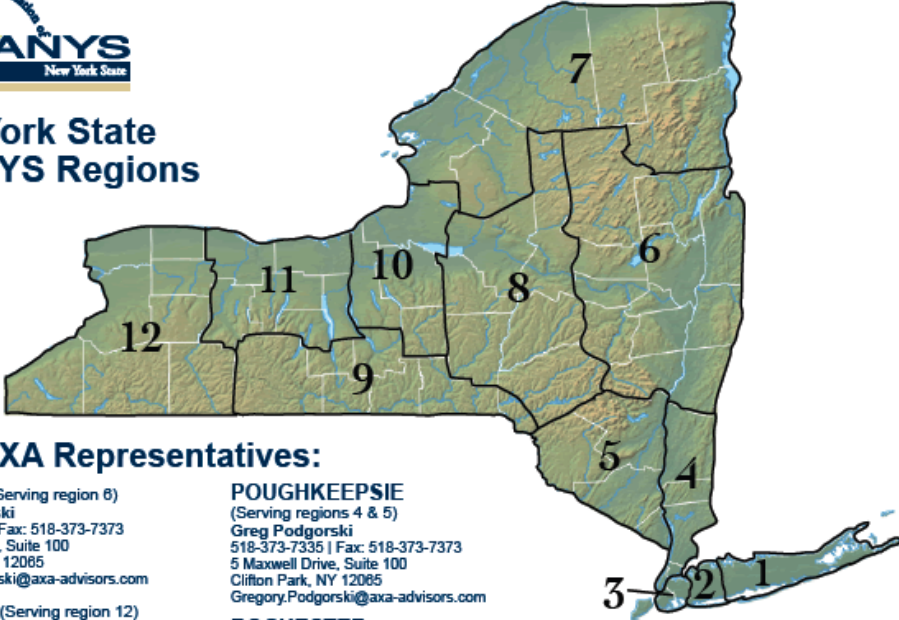
- Understand your future benefit expectations now
- Begin exploring spousal benefit or legacy planning
- Implement when the time is right
- Higher chance of financial success with a longer planning horizon



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Your AXA Representatives:

ALBANY (Serving region 6)
Greg Podgorski
518-373-7335 | Fax: 518-373-7373
5 Maxwell Drive, Suite 100
Clifton Park, NY 12065
Gregory.Podgorski@axa-advisors.com

POUGHKEEPSIE (Serving regions 4 & 5)
Greg Podgorski
518-373-7335 | Fax: 518-373-7373
5 Maxwell Drive, Suite 100
Clifton Park, NY 12065
Gregory.Podgorski@axa-advisors.com

ROCHESTER (Serving region 11)
Joseph DiMora
315-425-6300
175 Corporate Woods, Suite 250
Rochester, NY 14623
Joseph.DiMora@axa-advisors.com

BUFFALO (Serving region 12)
Ryan Hanretty
716-626-2537
350 Essjay Road, Suite 300
Williamsville, NY 14221
Ryan.Hanretty@axa-advisors.com

**SYRACUSE/UTICA/VESTAL/
WATERTOWN** (Serving regions 7, 8, 9, 10)
Greg Ronneburger
315-425-6334
120 Madison Street, Suite 1900
Syracuse, NY 13202
Gregory.Ronneburger@axa-advisors.com

WESTCHESTER (Serving region 4)
Brian Valente
914-993-5033 x11 | Cell: 914-772-7263
AXA Equitable RBG
707 Westchester Avenue, Suite 210
White Plains, NY 10604
Brian.Valente@axa-advisors.com

LONG ISLAND/WOODBURY (Serving regions 1 & 2)
John Purcell
516-358-3940
1000 Woodbury Road, Suite 300
Woodbury, NY 11797
John.Purcell@axa-advisors.com

thank you



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1290 Avenue of the Americas, New York, NY 10104, 212-554-1234

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