enhancing your benefits
with pension maximization
agenda

- NYS ERS Pension Overview
- Decisions…decisions
- Pension Maximization: points to consider
- Pension Maximization in action
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)
How is your ERS Pension Benefit* calculated?

<table>
<thead>
<tr>
<th>Actual Earnings</th>
<th>Limit</th>
<th>Earnings Allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1: $39,000</td>
<td>([(32,000 + 31,000) \div 2] \times 1.1 = 34,650)</td>
<td>$34,650</td>
</tr>
<tr>
<td>Year 2: $32,000</td>
<td>([(31,000 + 26,000) \div 2] \times 1.1 = 31,350)</td>
<td>$31,350</td>
</tr>
<tr>
<td>Year 3: $31,000</td>
<td>([(26,000 + 25,000) \div 2] \times 1.1 = 28,050)</td>
<td>$28,050</td>
</tr>
<tr>
<td>Year 4: $26,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 5: $25,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\[\frac{94,050}{3} = $31,350\] 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

<table>
<thead>
<tr>
<th>Age at Retirement</th>
<th>Percentage of Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>55</td>
<td>38.33</td>
</tr>
<tr>
<td>56</td>
<td>33.33</td>
</tr>
<tr>
<td>57</td>
<td>28.33</td>
</tr>
<tr>
<td>58</td>
<td>23.33</td>
</tr>
<tr>
<td>59</td>
<td>18.33</td>
</tr>
<tr>
<td>60</td>
<td>13.33</td>
</tr>
<tr>
<td>61</td>
<td>6.67</td>
</tr>
<tr>
<td>62</td>
<td>0</td>
</tr>
</tbody>
</table>
## NYS ERS Pension Options

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

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

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

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).
   - 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
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:

<table>
<thead>
<tr>
<th>Carl’s Monthly Income at Retirement (Age 60)</th>
<th>Single Life: No Survivorship Benefit</th>
<th>With 50% Survivorship Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,000</td>
<td>Carl</td>
</tr>
<tr>
<td></td>
<td>$4,400</td>
<td>Catherine</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$2,200</td>
</tr>
</tbody>
</table>
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?

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

NYS ERS Recommendation
SAANYS member support across NYS

New York State SAANYS Regions

SAANYS
New York State

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REGION 6

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