

## **Thinking of retiring? A brief introduction**

In 1935, President Franklin D. Roosevelt signed the Social Security Act into law. In 1937, New York City voted to allow Library employees to join the New York State Retirement System. Ever since then, thousands of Queens Library employees have enjoyed the benefits of some financial security during their retirement.

This document, created by Queens Library, Local 1321, contains:

- questions you need to ask yourself when thinking of retiring;
- retirement calculation information; and
- benefit information for employees and retirees.

This is only intended as a guide, you must contact the New York State Retirement System and Social Security for more accurate information.

### **Questions you need to ask yourself when thinking of “retirement”**

1. What is the best age for me to retire?
2. For tax purposes, what is the best time of year to retire?
3. How much money will I receive from NYS Retirement System?
4. How much money will I receive from Social Security when I retire?
5. How do I choose retirement pension options?
6. Am I eligible to continue my health insurance benefits after retirement?
7. Am I properly informed about the employee death benefits?

## Things you need to know to plan for retirement

1. Final Average Salary (FAS): the average of the 36 highest consecutive months of earnings.
  - a. Limitation: the total earnings in any one year used in FAS cannot exceed the average earnings of the previous two years by more than **10 percent. (see examples)**
  - b. The Lump sum payment of up to 30 days' vacation may be included in FAS if the total compensation in that 12-month period does not exceed the **10 percent limitation.**
  
2. Service Retirement Benefit: **(for Tiers 3 & 4)**
  - a. Less than 20 years of service credit: Your pension will be equal to  $1/60$  (1.66%) of your FAS for each year. **(see examples)**
  - b. With 20-30 years of service credit, your retirement benefit will be equal to  $1/50$  (2%) of your FAS for each year.
  - c. For each year of service beyond 30 years, the benefit increases by  $3/200$  (1.5%) of your FAS.
  - d. If you retire before age 62 with less than 30 years of credit, your benefit will be reduced. (i.e. age 55 = 27% reduction) **(see charts)**
  
3. Terminal leave eligibility: after 10 years of service
  - a. Employees hired **before 7/1/2004** will cash out their sick leave on the basis of **2** sick days for **1** terminal day.
  - b. Employees hired on or **after 7/1/2004** will cash out their sick leave on the basis of **3** sick days for **1** terminal day.
  - c. Effective 8/1/2010, non-union employees will convert **4** sick days to **1** terminal leave day.
  - d. Consider the pros and cons of taking a lump sum payment vs. staying on the payroll.
  
4. Medicare Plan B refund: at age 65, retirees have to pay for Medicare Plan B. In order to get the money back from the Library, you need to send a copy of your Medicare card to the Library's Finance Dept.
  
5. DC37's Health Benefit: DC37's Health Benefit will be replaced by Medicare Plan D (prescription drug benefit) when retirees reach the age of 65.
  
6. Death Benefits:
  - a. From New York State and Local Retirement System:

- i. Ordinary death benefit (ODB): Beneficiaries of employees who die in service are entitled to up to 3 years of salary plus contribution with interest. Reductions apply if you were still working on or after the age of 61. Up to the first \$50,000 is not taxable.
    - ii. Post-retirement death benefit: Beneficiaries of employees who die within a year after retirement will get 50% of ODB; 25% of ODB if the death occurs within 2 years; 10% ODB if the death occurs after 2 years from retirement.
  - b. From DC37:
    - i. Ordinary death benefit: if an employee dies in service, \$10,000 will be paid to his/her beneficiary(ies).
    - ii. Accidental death benefit: if an employee dies as a result of an accident, an additional \$10,000 will be paid to his/her beneficiary(ies).
    - iii. Post-retirement death benefit: \$1,000 will be paid to his/her beneficiary(ies) when a retiree dies.
  - c. From the Library Administration:
    - i. Full-time union employees are insured for \$100,000 for death resulting from an accident while traveling on library business.
- 7. **New York State Retirement Income Tax Exemption:** Your Social Security, military, civil service, and New York state/local government pensions are exempt from New York State Tax. Also, up to \$20,000 of qualified private pension or annuity (i.e. New York State Deferred Compensation Plan) for those 59½ and older is exempt. Out-of-state government pensions can be deducted as part of the \$20,000 exemption.
- 8. **Property Taxes:** At age of 65, your property tax could be reduced through STAR and SCHE programs if you meet certain income limitations and other requirements.

## References:

1. Thomas P. DiNapoli, *Your retirement benefits*, New York State and Local Employees' Retirement System, New York, 2012. [http://www.osc.state.ny.us/retire/word\\_and\\_pdf\\_documents/publications/1800s/1835-general-prs.pdf](http://www.osc.state.ny.us/retire/word_and_pdf_documents/publications/1800s/1835-general-prs.pdf)
2. DC37, *Full-time employee benefit booklet*, 2008. <http://www.dc37.net/benefits/health.html>  
<http://www.dc37.net/benefits/health/pdf/FullTimeBenefitBooklet.pdf>
3. Queens Borough Public Library, *Employee Handbook, Jamaica, New York*, 2001.
4. NYC Finance Department – Property -- Exemptions and Abatements for Residential property [http://www.nyc.gov/html/dof/html/property/property\\_tax\\_reduc\\_individual.shtml](http://www.nyc.gov/html/dof/html/property/property_tax_reduc_individual.shtml)
5. <http://www.retirementliving.com/taxes-by-state>
6. [http://www.upstate.edu/hr/document/nys\\_retiree\\_faq.pdf](http://www.upstate.edu/hr/document/nys_retiree_faq.pdf)

**\* The above information is for your reference only. Please verify all information with the corresponding agencies.**

The following pages are from Thomas P. DiNapoli, Your retirement benefits, New York State and Local Employees' Retirement System, New York, 2012.  
[http:// www.osc.state.ny.us/retire/word\\_and\\_pdf\\_documents/publications/1800s/1835-general-prs.pdf](http://www.osc.state.ny.us/retire/word_and_pdf_documents/publications/1800s/1835-general-prs.pdf)

## Tiers 3, 4 and 5

While Tier 3, 4, and 5 members still have a three-year final average salary, the earnings limitation is lowered to 10 percent. The total earnings in any one year used in the FAS calculation cannot exceed the average earnings of the previous two years by more than 10 percent. Earnings in excess of 10 percent will be excluded from the calculation. As a result of this limitation, Tier 3, 4 and 5 members are more likely to be limited in the amount of salary used in their FAS calculation.\*

A lump sum payment for up to 30 days of unused accumulated vacation may be included in the FAS calculation if the total compensation in that 12-month period does not exceed the 10 percent limitation. \*\*

<b>Example</b>		
Tier 3, 4 or 5 Member		
Actual Earnings	Limit	Earnings Allowed
Year 1: \$47,000	$\frac{(38,000 + 37,000)}{2} \times 1.1 = 41,250$	\$ 41,250
Year 2: \$38,000	$\frac{(37,000 + 33,000)}{2} \times 1.1 = 38,500$	\$ 38,000
Year 3: \$37,000	$\frac{(33,000 + 32,000)}{2} \times 1.1 = 35,750$	<u>\$ 35,750</u>
Year 4: \$33,000		
Year 5: \$32,000		
		\$ 115,000 ÷ 3 =
		<b>\$ 38,334 FAS</b>
<p>The earnings in Year 1 exceed the average of the earnings in the previous two years by more than 20 percent, so the total earnings cannot be used.</p>		

\* For Tier 5 members, annual overtime pay in excess of \$15,000 in calendar year 2010 cannot be used in the FAS calculation. The overtime pay limitation increases 3 percent annually.

\*\* Lump Sum Vacation payment will be added into last year's earnings.

## Service Retirement Eligibility

To be eligible to collect a pension benefit, a member must meet one of the following criteria:

- Tier 1 members age 55 or older
- Tier 2, 3, 4 members age 55 or older with five or more years of credited service
- Tier 5 members age 55 or older with ten or more years of credited service

## Benefit Reductions

Your age at retirement could directly impact the calculation of your retirement benefit.

Members who meet one of the following criteria can retire with no age-based reduction in their benefits:

- Tier 1 members age 55 or older
- Tier 2, 3, 4 and 5 members who retire at the age of 62 or older
- Tier 2, 3, and 4 members who retire between the ages of 55 and 62 with 30 or more years of service credit

Retirement benefits for members who retire and do not meet one of the criteria listed above will be permanently reduced based on their age on their date of retirement.

Benefit reduction percentages for each tier of membership are provided below. Please note that these reductions are prorated by the month. For example, the pension benefit of a Tier 4 member with less than 30 years of service who retires at the age of 55 years and 6 months old would be permanently reduced by 25.5 percent.

## Age Reduction Charts

### Tiers 2, 3 & 4

Age at Retirement		Reduction
Age 62	=	0%
Age 61	=	6%
Age 60	=	12%
Age 59	=	15%
Age 58	=	18%
Age 57	=	21%
Age 56	=	24%
Age 55	=	27%

### Tier 5

Age at Retirement		Reduction
Age 62	=	0%
Age 61	=	6.66%
Age 60	=	13.33%
Age 59	=	18.33%
Age 58	=	23.33%
Age 57	=	28.33%
Age 56	=	33.33%
Age 55	=	38.33%

# TIERS 3 & 4

## Article 15

### Service Retirement Benefit

- If you retire with less than 20 years of service credit, your pension will equal 1/60<sup>th</sup> (1.66 percent) of your FAS for each year of service.
- With 20 to 30 years of service credit, your service retirement benefit will equal 1/50<sup>th</sup> (2 percent) of your FAS multiplied by your years of credited service.
- For each year of credited service beyond 30 years, the benefit will increase by 3/200<sup>ths</sup> (1.5 percent) of your FAS.
- With less than 30 years of credit, if you choose to retire before age 62, your benefit will be subject to a reduction. (See page 22 for reductions.)

### Examples

#### Age 62

17 years of service  
FAS = \$43,500

$$\frac{17 \times \$43,500}{60} = \$ 12,325 \text{ per year}$$

$$= \$ 1,027 \text{ per month}$$

#### Age 55

17 years of service  
FAS = \$43,500

$$\frac{17 \times \$43,500}{60} = \$ 12,325$$

$$- \quad \underline{3,327}^*$$

$$= \$ 8,998 \text{ per year}$$

$$= \$ 750 \text{ per month}$$

\*27 percent benefit reduction at age 55.

### Examples

#### Age 62

22 years of service  
FAS = \$43,500

$$\frac{22 \times \$43,500}{50} = \$ 19,140 \text{ per year}$$

$$= \$ 1,595 \text{ per month}$$

#### Age 55

22 years of service  
FAS = \$43,500

$$\frac{22 \times \$43,500}{50} = \$ 19,140$$

$$- \quad \underline{5,167}^*$$

$$= \$ 13,973 \text{ per year}$$

$$= \$ 1,164 \text{ per month}$$

\*27 percent benefit reduction at age 55.

#### Age 55 Over 30 Years Service

32 years of service  
FAS = \$43,500

$$\frac{30 \times \$43,500}{50} = \$ 26,100$$

$$(.015 \times 2^{**}) \times 43,500 = + \underline{1,305}$$

$$= \$ 27,405 \text{ per year}$$

$$= \$ 2,283 \text{ per month}$$

In this example, the member has more than 30 years of service. Therefore there is no benefit reduction.

\*\*Number of years over 30.