

Tier-6 Pension Benefits for Detective Investigators

For employees of any of the five NYC District Attorneys or the Special Narcotics Prosecutor, who work as Detective Investigators (DI) and who join NYCERS on or after April 1, 2012, their retirement benefits are now subject to Tier-6 pension legislation (Chapter 18 of the Laws of 2012). The Tier 6 legislation does not actually create a new tier but in fact imposes significant benefit reductions on existing Tier 3 and 4 benefits structures.

Prior to this date Detective Investigators were subject to Tier-2 (Article 11/NYS-RSSL) and its associated Detectives Investigator retirement plans.

Service Retirement (S.505) – (NYSRSSL – This is the default for section citations)

The new retirement structure has no age requirement and is outlined below:

- 1) **Early Retirement:** after 20 years of service – annual benefit is 42% of a five year average salary (see below). There is no escalation (see below).
- 2) **Early Retirement :** Between 20 & 22 years of service – annual benefit is 42% of a five year average salary plus .33% for each month of service over 20 years. There is no escalation .
- 3) **Normal Retirement:** After 22 years of service – annual benefit is 50% of a five year average salary. There is no escalation.
- 4) **Normal Retirement with Partial Escalation:** between 22 & 25 years of service – annual benefit stays at 50% of a five year average salary but there is an increase of $1/36^{\text{th}}$ of full escalation for each month of service over 22 years.
- 5) **Normal Retirement with Full Escalation:** after 25 years of service – annual benefit is still 50% of a five year average salary but with full escalation.

In all of these Tier-6 scenarios, the annual pension benefit is reduced at age 62 by 50% of the Social Security benefit that would be payable at age 62. The offset begins at age 62 whether or not you choose to collect the Social Security benefit at that age.

Example of service benefits:

- 1) A DI member joins NYCERS at age 25 and retires at age 47 (22 years of service) with a 5 year avg. salary of \$70,000. His/her annual benefit is \$35,000 with no escalation. Starting the first September 1 after the member has been retired for ten years, he/she will be eligible for general COLA. Assuming a 2% CPI on March 31 of that year, the COLA adjustment would be equal to 1% and he/she will receive an annual COLA amount equal to \$180 (1% of \$18,000). Starting on that September 1, the COLA will be paid monthly with the regular pension benefit. If the following year the CPI is 4% the \$180 will increase to \$540 (2% times \$18,000 plus \$180).
- 2) If the same member retires at age 50 with 25 years of service, the annual benefit will still be \$35,000 but he/she would begin to receive full escalation the first April 1 after he/she retires. To make the example simple assume a retirement date of April 1 and 2% CPI at the end of the year on December 31. Then the following April 1 at age 51 the retiree's annual benefit would increase to (2% times \$35,000) \$700. If the CPI is 4% on the following December 31, the following April 1 the increase in the benefit would be $\$1,050 + \$700 = \$1,750$. Where the escalation is greater than the general COLA, no COLA will be paid to the retiree, only escalation. If by chance the general COLA is greater, then only the COLA would be paid.

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Payroll Deductions (S.517)

In Tier-6 DI members are required to contribute 3% of annual wages. There is no service cutoff for these deductions for DI members. This is in contrast to the 25 year cutoff for police, fire, correction, and sanitation members. This, however, is not very significant. There is no increase in pension benefits beyond 25 years and this will motivate members to retire at that point.

These deductions are credited with a 5% annual interest rate and are federal tax deferred (IRC414-h eligible).

As opposed to Tier-2, there is **no loan program** available to any Tier-6 members (police, fire, correction, sanitation, and detective investigators).

FAS: New Five Year Average Compensation Base (S.512)

Generally, all benefits in Tier-6 are based on the new five year earnings average. The Tier-2 compensation base was the last 12 months earnings for the basic 20 or 25 year benefit and the old Tier-3 compensation base was a three year average.

The five year period can be the final 60 months before retirement or any five consecutive years worked. If using the final 60 months, up to 12 months of authorized LWOP or partial pay can be replace by months immediately prior to 60 months.

Credited Service (S.513)

In Tier 6, **all** credited NYCERS service counts towards years of service for retirement. That includes non-DI member service, all purchased service (both NY public service and military). NY public service includes city, state, county and NYS public authorities which participate in any NY public pension plan.

Many Detective Investigators begin their careers working at other positions within city government which includes public authorities like the Transit Authority.

In the past, these members switched from Tier 4 to Tier 2 when they became Detective Investigators. In the future these employees with post 4/1/2012 NYCERS memberships will initially be eligible for Tier 4 benefits with Tier 6 limitations and when appointed as DI's will be switched over to Tier 3 with Tier 6 limitations.

Vesting (S.516)

A Tier-6 DI member with 5 or more years of credited service, upon termination of employment, is entitled to a deferred vested. The benefit is equal to 2.1% times the years of credited service times the five year compensation base. The benefit at age 62 will be reduced by 50% of the member's Social Security retirement benefit that would be payable at age 62. Like a service retirement, the offset begins at age 62 whether or not you choose to collect the Social Security benefit at that age.

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The vested benefit becomes payable on the date the member would have been credited with 20 years of credited service if he/she had continued working as a DI.

Note: The member will not lose this benefit if he/she is terminated.

Accident Disability Benefits (S.507)

The new Tier-6 accident disability benefit is significantly lowered from the comparable Tier-2 benefit.

The Tier-6 benefit is equal to

- a) 50% of the five year average FAS
- b) Minus 50% of the primary SS disability benefit
- c) Minus 100% of any Workers Compensation payable.

The member is eligible for immediate full escalation. See the escalation section above.

Ordinary Disability Benefits (S.506)

The new Tier-6 benefit is equal to

- d) The greater of 33 1/3% of the five year average FAS
or
2% times years of service up to 30 years
- e) Minus 50% of the primary SS disability benefit
- f) Minus 100% of any Workers Compensation payable.

The member is eligible for full immediate escalation.

To be eligible the member must in active service and have at least 5 years of credited service.

Continuous employment in active public service immediately prior to the date of NYCERS membership shall also count towards the 5 year requirement. There is no age requirement for the ordinary disability benefit. The member must be determined to be disabled by the Social Security Administration. If you are older than 65 or do not have a enough quarters to be eligible for SS disability, then the NYCERS Medical Board will make the disability determination.

Ordinary Death Benefits (S.508)

The ordinary death benefit under Tier 6 upon completion of 90 days of service is equal to three (3) times the member's salary, raised to the next higher multiple of \$1,000.

In addition, the member's accumulated deductions are payable.