



MaBSTOA Pension Plan

Manhattan and Bronx Surface Transit Operating Authority

Transit 25/55 Retirement Plan for Tier 6 Members

OVERVIEW

This document summarizes the key Tier 6 provisions of the Manhattan and Bronx Surface Transit Operating Authority (MaBSTOA) Pension Plan for members enrolled in the Transit 25/55 Plan (T25/55). This plan is for employees classified by the Authority as working in the Transit Operating Force (TOF) and employed on or after April 1, 2012.

Participation in the Tier 6 T25/55 is mandatory for anyone employed by MaBSTOA in a TOF position on or after April 1, 2012. Participants who cease to hold a TOF position will no longer be able to participate in the T25/55. Participants who cease to hold a TOF position, and return to a TOF position at a later date, will again be required to participate in the T25/55.

CONTRIBUTIONS

Participants in the Tier 6 T25/55 Plan who join the MaBSTOA Pension Plan between April 1, 2012 and March 31, 2013, are required to contribute Basic Member Contributions (BMCs) equal to 2% of gross wages until a new contribution structure takes effect on April 1, 2013. Beginning April 1, 2013, the BMC rate for all Tier 6 T25/55 Plan members is dependent upon annual wages earned during a plan year (see table below).

ANNUAL WAGES EARNED DURING PLAN YEAR	CONTRIBUTION RATE
Up to \$45,000	3%
\$45,001 to \$55,000	3.5%
\$55,001 to \$75,000	4.5%
\$75,001 to \$100,000	5.75%
Greater than \$100,000	6%

A plan year is defined as a period of time from April 1st to March 31st. During the first three plan years of membership (or the first three plan years beginning April 1, 2013 if you joined the MaBSTOA Pension Plan between 4/1/12 and 3/31/13) the MaBSTOA Pension Plan will use a projection of your annual wages to determine your contribution rate (Projected Wage Method). For your fourth plan year and each plan year thereafter, the MaBSTOA Pension Plan will use your gross wages earned two plan years prior to determine your contribution rate (Actual Wage Method) – refer to the following page for a chart illustrating the application of each method.

BMCs accrue interest at the rate of 5%, compounded annually. The accrual of interest on your contributions is of value in certain ways, but should not be equated to interest accrued in a savings account. A defined benefit retirement plan formula, prescribed by law, is used to calculate your pension.

BMCs must be paid until you separate from service or retire from MaBSTOA. They are Federal tax-deferred, meaning that you do not pay Federal taxes on the contributions, only New York State and Local taxes. Contributions made while on Union Leave are not Federal tax-deferred.



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CONTRIBUTIONS (CONTINUED)

The chart below demonstrates the application of the Projected Wage Method and the Actual Wage Method based on hypothetical wages.

PROJECTED WAGE METHOD (FIRST 3 PLAN YEARS ONLY)			
	1 ST PLAN YEAR	2 ND PLAN YEAR	3 RD PLAN YEAR
Projected Annual Salary	\$70,000	\$70,000	\$70,000
Rate Based on Projected Annual Salary	4.5%	4.5%	4.5%
Actual Wages Earned in Plan Year	\$72,000	\$72,500	\$76,000
Contributions Made in Plan Year	\$3,240 (4.5% of \$72,000)	\$3,263 (4.5% of 72,500)	\$3,420 (4.5% of \$76,000)
ACTUAL WAGE METHOD (4 TH PLAN YEAR AND THEREAFTER)			
	4 TH PLAN YEAR	5 TH PLAN YEAR	
Actual Wages Earned in Plan Year	\$80,000	\$82,500	
Rate Based on Actual Wages Earned Two Plan Years Prior to the Current Plan Year	4.5% ¹	5.75% ²	
Contributions Made in Plan Year	\$3,600 (4.5% of \$80,000)	\$4,744 (5.75% of \$82,500)	

¹ The contribution rate of 4.5% in the 4th Plan Year is based on the gross wages earned two plan years prior; since the actual wages are \$72,500 in the 2nd Plan Year and \$76,000 in the 3rd Plan Year.

² The contribution rate of 5.75% in the 5th Plan Year is based on the gross wages earned two plan years prior; since the actual wages are \$76,000 in the 3rd Plan Year and \$80,000 in the 4th Plan Year.

DEFICITS

The accumulative total of contributions must not be less than your required amount in order to retire with an unreduced pension. If your required amount is not met, it is considered a deficit. If a deficit is recognized prior to retirement, action will be taken to remedy it. In the event of a deficit at retirement, an actuarial reduction will be applied to your retirement benefit.

LOANS

If you are an employee in active service and in pay status with at least one year of membership, you may borrow from the MaBSTOA Pension Plan by filing a properly completed and notarized application. An outstanding loan cannot exceed 75% of the contributions (with interest) last posted to your pension account. In addition, the maximum allowable outstanding loan amount cannot exceed \$50,000.

Your account balance must have at least \$1,334 to be eligible to borrow. The minimum amount of any loan is \$1,000 and once a loan has been issued, it cannot be cancelled. Only one pension loan may be issued in any 12-month period. The maximum number of outstanding loans allowed within a 12-month period is TWO. This includes loans from the



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LOANS (CONTINUED)

pension plan and 401(k) and/or 457 deferred compensation plans. Your account will remain intact and will continue to accrue interest on the full balance.

REFUNDS

Participants in the Tier 6 25/55 Plan who have rendered less than 10 years of Credited Service and who leave MaBSTOA service may apply for a refund of BMCs, plus accrued interest, effectively terminating their membership. Refunds will be reduced by the present value of any loan. Refunds of BMCs are not possible for members with 10 or more years of Credited Service. Withdrawal of BMCs will trigger a Federal tax liability and may result in a tax penalty.

ALLOWABLE SERVICE

Allowable Service is a special term used in the T25/55 Plan, which is defined as membership service while employed by MaBSTOA in a Career & Salary title or TOF position. Allowable Service also includes certain Military Service and Union Leave Service. Allowable Service does not include service rendered in an agency other than MaBSTOA. This is significant because only Allowable Service can be used to qualify for service retirement.

MILITARY BUY-BACK

Federal and state laws allow members to purchase service credit for time spent in U.S. Military service – the Uniformed Services Employment and Reemployment Rights Act (USERRA) and Article 20 of the New York State Retirement and Social Security Law (RSSL), respectively. Under USERRA, the cost is the equivalent of the contributions required if you had never left for military service. Under Article 20, the cost is 6% times the number of years of military service being purchased times the salary you earned during the 12 months prior to the date of your application. No interest is charged on military buy-back.

VESTED RETIREMENT BENEFIT

Vesting refers to your right to receive plan benefits even if you terminate employment before you are eligible for payment of a service retirement benefit. Members of the T25/55 Plan are eligible for a vested retirement benefit if they are not yet age 55 provided they have at least 25 years of Allowable Service, which becomes payable at age 63. Members with at least 10 years of Credited Service (including at least two years of membership service) are entitled to a vested retirement benefit, payable at age 63.

VESTED RETIREMENT BENEFIT CALCULATION	
CREDITED SERVICE	FORMULA
10 to 19 years	1.67% times Final Average Salary times years of Credited Service
20 to 24 years	35% of Final Average Salary for the first 20 years of Credited Service plus 2% times Final Average Salary times years of Credited Service in excess of 20
25 to 30 years	2% times Final Average Salary times years of Allowable Service
More than 30 years	2% times Final Average Salary times 30 years of Allowable Service plus 1.5% times Final Average Salary times years of Allowable Service in excess of 30 years



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SERVICE RETIREMENT

A member must be at least age 55 and have 25 or more years of Allowable Service in MaBSTOA. Participants must apply for service retirement while in active service. The service retirement benefit payable under the T25/55 Plan is calculated as follows:

SERVICE RETIREMENT BENEFIT CALCULATION	
CREDITED SERVICE	FORMULA
Up to 30 years	2% <i>times</i> Final Average Salary <i>times</i> years of Allowable Service
More than 30 years	2% <i>times</i> Final Average Salary <i>times</i> 30 years of Allowable Service plus 1.5% <i>times</i> Final Average Salary <i>times</i> years of Allowable Service in excess of 30 years

The Final Average Salary (FAS) is defined as the average of wages earned by a member during any continuous period of employment for which the member was credited with five years of service. However, wages earned during any year used in a FAS calculation cannot exceed the average of the previous four years by more than ten percent.

Some wages are excluded from the FAS calculation. The Tier 6 definition of wages includes an “overtime ceiling,” which limits overtime compensation for pension purposes to no more than \$15,000; this amount is indexed annually according to the Consumer Price Index. Any overtime compensation earned in excess of the overtime ceiling is excluded from the FAS calculation. Overtime compensation is compensation paid at a rate greater than the standard rate.

The definition of wages also excludes:

- Wages in excess of the annual salary paid to the Governor of the State of New York
- Lump-sum payments for deferred compensation, sick leave, accumulated vacation or other credits for time not worked;
- Any form of termination pay;
- Any additional compensation paid in anticipation of retirement; and
- In the case of employees who receive wages from three or more employers in a twelve-month period, the wages paid by the third and each successive employer.

When a service retirement application is filed, we strongly encourage that an “Interim Option” is selected on the application. This precautionary measure enables some form of pension payment to be made to a beneficiary if the service retirement applicant were to die prior to pension finalization.



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DISABILITY RETIREMENT

As a member, you are eligible to receive a disability retirement benefit at any age, if you meet the following conditions:

- | | |
|---|---|
| 1. You have 10 or more years of Credited Service and the NYCERS' Medical Board determines: | 1. You have less than 10 years of Credited Service and |
| 2. You are physically or mentally incapacitated from performing the duties of your job title and | 2. Your disability is the result of an accidental on-duty injury (not caused by your willful neglect) sustained while a MaBSTOA member and |
| 3. You are so incapacitated at the time you ceased performance of your duties. | 3. You are physically or mentally incapacitated from performing the duties of your job title and |
| | 4. You are so incapacitated at the time you ceased performance of your duties. |

or

The Disability Retirement Benefit is equal to the greater of:

- $\frac{1}{3}$ of your FAS **or**
- 1.67% *times* FAS *times* years of Credited Service **or**
- Your Service Retirement Benefit, if eligible.

SURVIVOR BENEFITS

In the event of your death prior to retirement, your MaBSTOA Pension Plan membership entitles your beneficiaries to a death benefit. There are two main types of death benefits – Ordinary Death Benefits and Accidental Death Benefits.

An Ordinary Death Benefit (ODB) is payable to your beneficiary (ies) if you die while in active service, before retirement, whether or not death occurs as the result of an accident sustained on the job.

An ODB will be paid only if:

- a) you were being paid on payroll at the time of your death; OR
- b) you were off payroll or you were on an authorized leave without pay at the time of your death; AND
 - 1. you were on payroll, in service, and paid within the last 12 months before death; AND
 - 2. you were not gainfully employed since last on the payroll; AND
 - 3. you had credit for one or more years of continuous service since you last entered the service of your employer.

The ODB payable is a multiplication of your salary as indicated below:

- if you have at least one, but less than two years of service, a lump-sum benefit equal to one year's current salary.
- if you have at least two, but less than three years of service, a lump-sum benefit equal to two times current salary.
- if you have at least three years of service, a lump-sum benefit equal to three times current salary.



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SURVIVOR BENEFITS (CONTINUED)

The benefit is reduced for each year a member remains in active service beyond age 60. Your beneficiary(ies) will also receive a refund of your BMCs plus earned interest. If you are vested (have at least 10 years of Credited Service) and die prior to age 63, your beneficiaries will receive a lump-sum death benefit based on 50% of the ODB that would have been payable if you had died on your last day in active service, plus the refund of your BMCs plus interest.