



# MaBSTOA Pension Plan

Manhattan and Bronx Surface Transit Operating Authority

## 63/10-Administrative 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 63/10 Retirement Plan, also referred to as the Tier 6 Basic Plan. Participation in this plan is for non-operating employees who joined MaBSTOA on or after April 1, 2012. Participants are able to retire with an unreduced pension at age 63 with at least 10 years of Credited Service. Participants with 10 years of Credited Service may retire with a reduced pension earlier than age 63 but no earlier than age 55 (see the Early Retirement section).

### CONTRIBUTIONS

Participants in the 63/10 Plan who join MaBSTOA between April 1, 2012 and March 31, 2013 are required to contribute 3% of gross wages until a new contribution structure takes effect on April 1, 2013. Beginning April 1, 2013, the contribution rate for 63/10 Plan participants is dependent upon annual wages earned during a “plan year” according to the schedule in the 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.

These contributions are referred to as Basic Member Contributions (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 <sup>st</sup> Plan Year	2 <sup>nd</sup> Plan Year	3 <sup>rd</sup> 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 <sup>TH</sup> PLAN YEAR AND THEREAFTER)			
	4 <sup>TH</sup> PLAN YEAR	5 <sup>TH</sup> 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% <sup>1</sup>	5.75% <sup>2</sup>	
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 4<sup>th</sup> Plan Year is based on the gross wages earned two plan years prior; since the actual wages are \$72,500 in the 2<sup>nd</sup> Plan Year and \$76,000 in the 3<sup>rd</sup> Plan Year.
- 2 The contribution rate of 5.75% in the 5<sup>th</sup> Plan Year is based on the gross wages earned two plan years prior; since the actual wages are \$76,000 in the 3<sup>rd</sup> Plan Year and \$80,000 in the 4<sup>th</sup> Plan Year.

### 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.

### 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.



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### 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 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

63/10 Plan participants who leave MaBSTOA service with less than 10 years of Credited Service may apply for a refund of contributions inclusive of interest accrued, effectively terminating membership.

Members with 10 or more years of Credited Service are not eligible for a refund of their BMCs. Members who leave MaBSTOA service with less than 10 years of Credited Service and do not return within a five-year period will have their membership terminated by operation of law even if they have not applied for a refund of their BMCs. Refunds will be reduced by the present value of any loan.

### VESTED RETIREMENT BENEFIT

Vesting refers to your right to receive plan benefits if you terminate employment before you are eligible for payment of a service retirement benefit.

Members of the 63/10 Plan are eligible to vest in their retirement benefit even if they leave prior to reaching age 63 provided they have 10 or more years of service, at least two years of which are membership service. Under the 63/10 Plan, the vested benefit is payable at age 63. A vested retirement benefit is computed in the same manner as a service retirement benefit.



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### SERVICE RETIREMENT

A member must be at least age 63 and have ten or more years of Credited Service of which two years is membership service to be eligible to receive a service retirement benefit. Plan amendment allows you to retire, as early as age 55 however, your retirement benefit will be reduced. The chart in the Tier Equity (Early Retirement) section lists the lifetime benefit reduction.

The Final Average Salary (FAS) referenced in the following chart 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 Credited Service. However, wages earned during any year used in a FAS calculation cannot exceed the average of the wages earned during the previous four years by more than 10 percent.

The Service Retirement Benefit payable under the 63/10 Plan is calculated as follows:

SERVICE RETIREMENT BENEFIT CALCULATION	
CREDITED SERVICE	FORMULA
Less than 20 years	1.67% <i>times</i> Final Average Salary <i>times</i> years of Credited Service
20 years	35% of Final Average Salary
More than 20 years	35% of Final Average Salary <b>plus</b> 2% <i>times</i> Final Average Salary <i>times</i> each year of Credited Service in excess of 20 years

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.



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### TIER EQUITY (EARLY RETIREMENT)

Under a law usually referred to as “Tier Equity,” members in the 63/10 Plan may retire earlier than age 63, but no earlier than age 55. To take advantage of Tier Equity, you must file for retirement while you are still in active payroll status. Early retirement under Tier Equity carries a penalty - a permanent reduction in your retirement benefit. The reduction is based on your age when you file for retirement. Members who have left MaBSTOA service prior to age 55 cannot collect an early Vested Retirement Benefit with the penalty, but must wait until age 63 to collect.

The following chart shows the reduction percentage by age:

AGE REDUCTION TABLE	
AGE PAYMENT BEGINS	PERCENT OF BENEFIT REDUCTION
62	6.5%
61	13%
60	19.5%
59	26%
58	32.5%
57	39%
56	45.5%
55	52%

### DISABILITY RETIREMENT

As a member of the 63/10 Plan, you are eligible to receive a disability retirement benefit at any age, if the following criteria is met:

1. You have 10 or more years of Credited Service **and** the NYCERS’ Medical Board determines:
2. You are physically or mentally incapacitated from performing the duties of your job title **and**
3. You are so incapacitated at the time you ceased performance of your duties.

**or**

1. You have less than 10 years of Credited Service **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** the NYCERS’ Medical Board determines:
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.

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.



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### 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.

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.

An Accidental Death Benefit (ADB) is payable to Eligible Beneficiaries, who are defined in law. Eligible Beneficiary(ies) will receive an ADB if the MaBSTOA Pension Plan determines that your death was the result of an accident sustained in the performance of your duty, not caused by your own negligence. The annual benefit equals 50% of the wages you earned during your last year of service, or your annual wage rate if you had less than one year of service. The deceased member's contributions are not refunded to the beneficiaries.