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Summary of Retirement Plan Benefits

Full-Time Instructional
(Teaching and Non-Teaching)
and Executive
Compensation Plan
Members

The University Benefits Office
Office of Human Resources Management

Fall 2017

Full-Time Instructional Staff (Teaching and Non-Teaching) and Executive Compensation Plan Members

Welcome to the City University of New York (CUNY). We are pleased to introduce you to the retirement plans provided by CUNY and the various New York City and New York State Retirement Systems. CUNY strives to offer a comprehensive benefits package that meets both the present and future needs of our employees and their families. Please take time to review this handbook carefully and take an active role in understanding your retirement benefits and how they work.

We hope you find this handbook both informative and helpful. Should you have questions about any of the programs, please do not hesitate to contact your College Human Resources Office.

Once again, welcome to The City University of New York.

Please note:

The University Benefits Office provides this Summary of Benefits solely for informational purposes. Although every effort has been made to assure its accuracy, the interpretations and rules of the benefit providers and retirement systems are binding. This handbook does not create a contract, nor does it ensure that particular benefits will be provided. If any discrepancies exist between the information presented herein and the information contained in the plan documents, the actual provisions of each benefit plan will govern. These benefits are subject to change at any time, with or without notice.

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RETIREMENT PLANS

As an employee of the City University of New York, you have various choices of retirement plans. CUNY employees are eligible for multiple mandatory and/or voluntary retirement plans through either the Teachers' Retirement System of the City of New York (TRS) or Teachers' Insurance and Annuity Association of America (TIAA); New York State 457(b) and New York City 401(k) plan (only available at Community Colleges).

Also, depending on your previous position(s), where you may have been eligible for other retirement plans through such agencies as the New York City Employees' Retirement System (NYCERS), you may be allowed to remain in those plans as a transfer contributor, which is discussed further in this document.

A.) Mandatory Retirement Plan Options

As a member of the Instructional Staff (teaching and non-teaching) or the Executive Compensation Plan you must elect either the Teacher's Retirement System of the City of New York (TRS) or the Optional Retirement Plan (ORP) administered by TIAA within **30 days of your initial appointment** to a full time regular Instructional Staff position (those appointed to a substitute line may elect to participate in a plan but must do so within 30 days of their initial or subsequent substitute position appointment). The election decision is irrevocable as long as the employee remains continuously employed in any CUNY position. If the employee does not make an election, he or she will be forced into the TRS system and will not be able to move into the ORP at any point in his or her employment if he or she remains continuously employed in any position within CUNY. These rules are established by New York State Education Law Section 6253 and cannot be waived or modified.

Important: If you have secondary or multiple lines of employment at CUNY they are all pensionable. You must inform the college where you have the secondary or multiple line that you have membership so any required employee contributions can be initiated from your paycheck. Failure to disclose this will result in monies owed plus interest for missed contributions.

1.) **Option 1: The Teachers' Retirement System of the City of New York (TRS)**

TRS is a Qualified Public Pension Plan (QPP) public pension fund, which is funded by both pre-tax employee and employer contributions. The plan provides New York City educators with retirement, disability, and death benefits. Employer contributions are paid to the fund based on the total actuarial value assessed by the City of New York and are not specific to an employee's account.

Currently, upon completing a ten-year vesting period, members are eligible for a monthly benefit upon retirement. As a defined Benefit plan, the amount an employee receives in retirement is not affected by investment performance but is instead determined by use of a formula that takes into account age, final average salary, and total service credit.

For more information, please view the [TRS Membership Guide for CUNY employees](#) .

How much an employee has to contribute depends upon their tier, which is as follows:

Tier III and Tier IV (employees joined after July 26, 1976 but before September 1, 1983 (Tier III) or employees joined on or after August 31, 1983 but before April 1, 2012(Tier IV) – these employees must contribute 3% of their eligible compensation unless they have 10 years of membership/credited service. Those employees with 10 years or more of membership/credited service are not required to contribute, however, employer contributions are paid to the fund based on the total actuarial value assessed by the City of New York and are not specific to an employee’s account.

Tier VI (employees joined after March 31, 2012) **Note – Tier V does not apply to CUNY employees** - these employees must contribute between 3% and 6% of their eligible compensation based on the following wage scale:

- \$5,000 or less – 3%
- \$45,001 to \$55,000 – 3.5%
- \$55,001 to \$75,000 – 4.5%
- \$75,001 to \$100,000 – 5.75%
- \$100,001 to \$179,000 – 6%

For information on Tier I and II or more information on tiers please view the section on membership status in [TRS FAQ's](#).

2. Option 2: Optional Retirement Plan (ORP) sponsored by Teachers’ Insurance and Annuity Association of America (TIAA)

TIAA is a Fortune 100 financial services organization that provides CUNY employees with retirement, disability, and death benefits. For more information visit TIAA at the CUNY dedicated website below:

<https://www.tiaa.org/public/land/cunysystem>

Optional Retirement Plan (ORP)

The ORP is a 401(a) defined contribution plan, which is funded by both pre-tax employee and employer contributions. Upon completing a 366 day vesting period, members are eligible for a monthly benefit upon retirement. The 366-day vesting period is waived if the employee can provide proof that they have an existing vested TIAA annuity account through a prior employer. Please discuss with your Campus Benefits Officer the proof that is required to have the 366 day vesting period waived. During the 366 day vesting period both employee and employer contributions are held in escrow and will earn 4% per annum in interest while in the escrow account. Upon the completion of the vesting period, the monies will be released from escrow into the employee’s contract that they have established with TIAA and will be subject to the performance based on the investment elections chosen by the employee. If the employee does not make an investment choice, he or she will be automatically placed in the life cycle fund most closely tied to when they will turn 65 years of age. The benefit available in retirement is based on the total value of the participant’s account, which is determined, by employee contributions, employer contributions, and investment performance.

How much an employee has to contribute depends on their Tier, please see below for Tier V and Tier VI (detailed information on all Tiers can be found at <https://www.tiaa.org/public/land/cunysystem>).

Tier V (employees joined after July 16, 1992 but before April 1, 2012) – Members with less than 10 years of plan participation must contribute 3%. Members with 10 or more years of service as of March 31, 2010 do not need to make contributions.

Tier VI (employees joined after March 31, 2012) – Members must contribute 3% until April 1, 2013 after which the contribution will be based on the following wage scale:

- \$45,00 per year or less – 3%
- More than \$45,000 per year to \$55,000 per year – 3.5%
- More than \$55,000 per year to \$75,000 per year – 4.5%
- More than \$75,000 per year to \$100,000 per year – 5.75%
- More than \$100,000 – 6%

How much the employer contributes to the employee also depends upon their tier:

- **Tier V (employees joined after July 16, 1992 but before April 1, 2012)** – Members with less than 7 years of plan participation will receive 8% of employee compensation. Members with 7 or more years of plan participation will receive 10% of employee compensation. Effective April 1, 2010 Tier V members with 10 or more years of participation will receive an additional 3% of employee compensation and their 3% employee contribution ceases.
- **Tier VI (employees joined after March 31, 2012)** – Members with less than 7 years of plan participation will receive 8% of employee compensation. Members with 7 or more years of plan participation will receive 10% of employee compensation.

Comparison chart between TRS and TIAA mandatory plans

	<u>TRS</u>	<u>TIAA</u>
Plan Type	Qualified Pension Plan (defined benefit plan)	Retirement annuity contracts (defined contribution plan)
Vesting Period	10 years of Total Service Credit (TSC)	366 days of continuous employment (if no pre-existing vested TIAA retirement plan contract from another organization)
Age Requirements	63 for full retirement; 55-62 for reduced retirement benefit	None to collect retirement income (although taxes and penalties <u>may</u> be assessed if taken prior to age 59 ½). Also a minimum retirement age may affect eligibility for other benefits.
Contribution Rates	Employee: Graduated scale based on tier and contractual salary (Tier 6 only) Employer: Actuarially determined amount to fund benefits for all plan members	Employee: Same as TRS Employer (for Tier VI) : 8% of base salary during first seven years of employment; 10% of base salary after seven years of employment For other tiers please visit TIAA website at https://www.tiaa.org/public/land/cunysystem
Retirement Benefits	Determined by formula including a pension factor, total service credit and Final Average Salary	Varies based on your annuity accumulations, retirement age, and income option
Post-Retirement Health Benefits	NYC Health Benefits coverage contingent on minimum of 10 years' service credit and full-time CUNY employment immediately before retirement	For Instructional Staff: If 62 or over, NYC Health Benefits coverage contingent on retirement after minimum 15 years' continuous full time CUNY service. Must maintain \$50,000 reserve with TIAA to fund premiums For members of ECP: If age 55 or over, NYC Health Benefits coverage contingent on retirement after minimum 10 years' continuous full time CUNY service. Must maintain \$50,000 reserve with TIAA to fund premiums
Separating from Service	If not vested (less than 10 years membership) Employee's contribution (with interest) may be withdrawn/rolled over. If membership expires (after seven school years), withdrawal/rollover is mandatory Vested: Eligible to receive a monthly benefit on reaching retirement age	Not vested: Refund of employee contributions reflecting investment return Vested: Rules vary based on investment choices. Please call TIAA at 800-842-2252 For vested minimum reserves may be required to fund retiree health insurance premiums.
Portability	Membership may be transferred to certain NYS/ NYC public retirement systems; or funds may be rolled over to eligible IRAs or successor plans	TIAA accounts may be maintained if you join another Institution or employer that offers TIAA
Secondary (multiple) positions	If you have secondary or multiple lines of employment at CUNY they are all pensionable. You must inform the school where you have the secondary line that	Same as TRS

	you have membership so any required employee contributions can be initiated from your paycheck.	
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B. Transferring Membership into TRS (or becoming a transfer contributor with TRS)

If you are a member of one of the following retirement systems, you may transfer your membership to TRS if you become employed in a TRS-membership eligible position:

- NYC Employees’ Retirement System (NYCERS)*
- NYC Board of Education Retirement System (BERS)
- NYC Fire Department Pension Fund
- NYC Police Pension Fund
- NYS and Local Employees’ Retirement Systems
- NYS and Local Police and Fire Retirement System
- NYS Teachers’ Retirement System

Note: You must notify your previous retirement system if you choose to transfer your eligible membership to TRS. Your previous system will transfer your service credit and accumulated pension funds to TRS. In this instance you would not be required to resign the underlying NYCERS title.

***Remaining a transfer contributor with NYCERS**

*Under Section 13-188 of the Administrative Code of the City of New York a member of the NYCERS who resigns his or her position in city service to accept and who **within 60 days thereafter**, does accept another position in City service entitling him or her to membership in TRS or BERS is eligible to become a Transferred Contributor and may remain in NYCERS.

For those NYCERS’ members who do accept a TRS eligible position (such as an Instructional Staff title in CUNY) within the time frames noted above who are NYCERS’ members have thirty (30) days to: 1) elect to remain in NYCERS as a “Transferred Contributor” and must resign the underlying title; 2) transfer to TRS with no need to resign the underlying title; or 3) elect membership in the ORP with no need to resign the underlying title.

- 1) Remain a NYCERS member**, you must resign your NYCERS-eligible position and complete a Transferred Contributor Affidavit (download from www.nycers.org). You must notify your Human Resource officer of your resignation in writing then send the affidavit, along with proof of resignation to your Benefits Officer. They will send verification of your resignation along with other documents to NYCERS. **Choosing “Transferred Contributor” status means that you will be renouncing any present or prospective benefit from any other New York City public employee retirement system.**
- 2) Join TRS and then transfer your NYCERS membership**, complete a TRS membership application (download from www.trsnyc.org) and submit it to TRS. To transfer your NYCERS membership, complete NYCERS’ Transfer Form #321 (download from

www.nycers.org) and submit it to your Benefits Officer. **Please be advised that you are not required to resign your NYCERS eligible position if you choose this option.**

- 3) **Join ORP**, if you choose TIAA-CREF and are transferring from a NYCERS eligible title, there is no need to resign your underlying position.

C. Additional Voluntary Retirement Plans:

While CUNY provides a mandatory retirement and pension plan, many employees chose to supplement the mandatory plan with participation in one of the voluntary plans that is offered to CUNY employees. This allows for employees to grow their retirement savings as well as enjoy some current tax savings where applicable.

1.) Voluntary 403(b) plan:

a.) The TDA (Tax Deferred Annuity) Plan: The TDA is an **optional** 403(b) defined contribution plan that may be elected *in addition to* the mandatory retirement plan (TRS QPP or the ORP). It is not mandatory and can be started or stopped at any time. It is completely funded by employee contributions and not employer contributions. The money is pre-tax and is invested in different investment options of your choosing. The earnings are tax deferred until withdrawn. The amount that can be contributed is subject to IRS limits. In addition, if you are 50 years of age you may contribute “catch-up contributions” and contribute amounts over the annual IRS limit.

Both TRS and TIAA have TDA plans, however in order to participate in the TRS TDA you must have an underlying TRS pension account, therefore ORP members may only contribute to the TDA sponsored by TIAA. Please note that you cannot participate in both the TRS TDA and TIAA TDA at the same time.

More information on the TDA plans for both TRS and TIAA can be found at:

[TRS membership guide](#)

<https://www.tiaa.org/public/land/cunysystem>

b.) Roth 403(b) option for TIAA plan members: The Roth (post-tax) contribution provides you the option to make post-tax contributions to your retirement savings. These savings and any earnings are not taxed when qualified withdrawals are made. The major difference between a Roth contribution option and a traditional 403(b) TDA plan **when** you pay income taxes. With a traditional TDA your contribution is “pretax” as the money comes out of your paycheck before it is taxed. Pretax contributions lower your taxable income in the year of your contribution, and your contributions and earnings are tax-deferred until you take them out of your TDA Plan account. With the Roth contribution option, your contribution is taken out of your paycheck after taxes are paid. Roth contributions do not lower your current taxable income. Your Roth contributions, and the earnings on them, are tax-free upon withdrawal. Since you have already paid taxes on the amount you contributed, these assets may be passed along to your heirs, income tax free.

Currently the Roth 403(b) is only available to TIAA 403(b) members who work at CUNY senior colleges, CUNY central office employees on state payroll and graduate schools.

Annual IRS limits for 403(b) plans: In 2018, the annual limit is \$18,500 if you are under age 50, and \$24,500 if you are age 50 and above. Please note you are eligible for the age 50 and over limit at any point in the year you are turning 50. For example, if you turn 50 on December 31, 2018 you are still eligible for the \$24,500 from January 1, 2018 forward.

Please note that the annual limit for both the traditional TDA and the Roth are combined. Meaning if you do a combination of Roth and traditional TDA contributions in 2018 your total contributions may not go above \$18,500 (if under age 50) or \$24,500 (if age 50 and above).

The annual limit is subject to change based on IRS guidelines.

2.) New York State Deferred Compensation Plan (NYSDCP) 457(b) plan

The NYSDCP is an **optional** 457(b) deferred compensation plan sponsored by the State of New York that may be elected *in addition* to any of the above retirement plans. It is completely funded by employee contributions and not employer contributions. The money is pre-tax and is invested in different investment options of your choosing. The earnings are tax deferred until withdrawn, unless you elect the Roth option in which case the contributions will be post tax. The amount that can be contributed is subject to IRS limits. The maximum annual contribution for 2018 is \$18,500 (for those under age 50) and \$24,500 (for those age 50 and above). This limit is in addition to the limits on the 403(b) plan described above. For example, an employee (below age 50) can contribute \$18,500 to a 403(b) plan and \$18,500 to the 457(b) plan for a total of \$37,000 for the year. Similarly, an employee (age 50 and over) can contribute \$24,500 to a 403(b) and \$24,500 to a 457(b) for a total of \$49,000 for the year.

You may be able to make additional contributions during the Retirement Catch-Up period, which is the three consecutive calendar years prior to your retirement catch-up age.

However only one of these catch-up provision may be used at a time. For more information, visit www.nysdcp.com for more details.

3.) New York City 401(k) plan (Community College Employees only):

CUNY employees who are employed at the two year community colleges also have access to New York City's 401(k) plan. This plan is an alternative to the CUNY 403(b) discussed above. Please note that any contributions to both a 403(b) and the 401(k) plan would be coordinated and cannot go over the annual IRS limit (in 2018, \$18,500 for those under age 50; and \$24,500 for those age 50 and above).

You may find further information on the 401(k) plan by visiting the New York City webpage at [New York City deferred compensation plans](#).

D. Receiving Retirement Plan Benefits

Each retirement plan, offers the opportunity to save monies that will be a distributed at a later date. Monies are generally distributed upon retirement, however under certain circumstances examples of in service distributions may be allowed: Examples of in service distributions may include:

- Loans against the participant's account repaid through pre-tax payroll deductions (for TRS members) and directly to TIAA via an employee's personal savings/checking account for the term of the loan. Please note for the TIAA ORP and TDA plans, there is a limit of five loans outstanding at one time and if a participant is in default of a previous loan they may not borrow again until they repay the loan and clear the default. These rules are in addition to the IRS maximum loan cap of \$50,000 at any given point.
- Withdrawals due to unforeseen financial hardship. Rules for unforeseen financial hardship are governed by the IRS and are only available on voluntary plans. All plan loan options must be exhausted before a hardship distribution is approved. Criteria for hardship withdrawals can be found at www.irs.gov. Those who have a hardship withdrawal are suspended from making employee contributions for a period of 6 months following the hardship withdrawal.
- Withdrawals allowed due to the attainment of age 59 ½ from the voluntary 403(b) plan

Examples of distributions after employment termination may include:

- Loans against the participant's account repaid through manual checks for the term of the loan.
- Withdrawals mandated by the IRS after turning age 70 ½ and no longer working for CUNY.
- Commencement of normal retirement benefits either in a lump sum, periodic withdrawals, scheduled withdrawals, or an annuity payment.
- Distributions allowed due to the participant's total and permanent disability.
- Distributions to a beneficiary due to the death of the participant.

As the types of distributions available for each plan may differ please refer to your provider's website or to your University Benefits Officer for further information.