



A Message From Comptroller Thomas P. DiNapoli

As the trustee of the New York State Common Retirement Fund, I am responsible for the retirement security of one million New Yorkers. It is a responsibility that I take seriously. For more than 90 years, the Fund has been able to deliver a benefit that has provided income for retirees and helped support our State's economy.

Defined benefit plans like ours are the most cost-effective way to provide secure retirements for the fire fighters and police officers who keep our streets safe and secure, and for the State and local government employees who provide the valuable services that are vital to our communities. Despite what you may have heard in the media, defined benefit

plans make economic sense. The Fund provides a retirement benefit at half the cost of a 401(k) - style plan without subjecting retirees to the volatility of the stock market.

What is often overlooked is the benefit of a stable retirement benefit on local economies. Defined benefit plans provide reliable income to retirees who spend that money in our cities, towns and villages, helping to keep our economy sound. Pension benefits not only provide assets for investment and keep retired Americans out of poverty, they boost tax collections and support thousands of local jobs.

These are difficult economic times, but the Fund is helping to keep our State moving forward.

Our investment strategy for the Fund has always taken the long view, which has enabled us to withstand turmoil in the markets before.

I encourage you to read this newsletter for information about your benefits and please feel free to contact my office with any questions or concerns you may have.

Sincerely,

Thomas P. DiNapoli
State Comptroller



New Law Helps Monitor Post-Retirement Earnings

Legislation was recently enacted that provides Comptroller Thomas P. DiNapoli a new tool to help eliminate pension fraud. The new law, which was proposed by the Comptroller, gives his office access to the New York State Department of Taxation and Finance's wage reporting system. This system will help identify New York State and Local Retirement System retirees who work for local governments and exceed post-retirement earnings limitations under Section 212 of the Retirement and Social Security Law (RSSL).

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Section 212 of the RSSL limits the amount earned by most retirees under age 65 who return to public employment to \$30,000 per calendar year. If a retiree earns more, the

Comptroller has the authority to suspend and recoup any excess pension payments. (Different rules apply to disability retirees and those with Section 211 waivers.)

Each year, we compare information for State employees with records maintained by the Comptroller's Division of Payroll to identify retirees who have worked for New York State. In addition, school districts and BOCES are required to report all public retirees on their payroll during the previous year, including

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A Snapshot of Your Retirement System

as of March 31, 2011

About the Retirement System

- With more than one million participants, the New York State and Local Retirement System is the second largest public retirement system in the nation.
- Overall, there are 1,057,754 participants in the System. This includes:
 - 672,723 members
 - 385,031 retirees and beneficiaries
- There are 637,921 members in the Employees' Retirement System (ERS) and 34,802 members in the Police and Fire Retirement System (PFRS)
- There are 3,016 ERS participating employers and 681 PFRS employers.

PFRS Membership

- Most PFRS members (95.1 percent) are in Tier 2.
- 35 percent of PFRS members work for cities. Approximately 42 percent work for other local government employers. The remaining PFRS members are employed by New York State (16 percent) and by miscellaneous employers such as public authorities, and fire and water districts (7 percent).

Retirees and Benefit Payments

- The average pension for a PFRS retiree is \$40,932.
- Approximately 77 percent of retirees and beneficiaries remain New York State residents.
- \$6.45 billion in benefit payments reach the State's economy.
- Benefit payments for the fiscal year ended March 31, 2011 totaled approximately \$8.5 billion.

New Loan Program for Tier 3 (Article 14 benefits) and Tier 5 Members

Tier 5 PFRS members and Tier 3 PFRS members covered by Article 14 benefits can now borrow against their 3 percent contributions. (We expect to begin processing loans for these eligible members in early December 2011.) You are a Tier 5 member if you joined the Retirement System from July 1, 2009 through January 8, 2010, and elected to be covered by Article 22, or if you joined on or after January 9, 2010. You are a Tier 3 member if you joined on July 1, 2009 through January 8, 2010, and did not elect to be covered by Article 22.

The following requirements apply to Tier 3 (Article 14 benefits) and Tier 5 PFRS members who take a Retirement System loan. Requirements for Tiers 1, 2 and 3 (Article 11 benefits) PFRS loans are different and are available on our website at www.osc.state.ny.us/retire/members/loans.htm.

- You must have at least one year of credited member service;
- You must be actively employed by New York State or a participating employer (you are not actively employed if you are on leave without pay);
- Your contribution balance must be at least \$1,334;
- The minimum loan is \$1,000;

- You may borrow up to 75 percent of your contribution balance, less any outstanding Retirement System loan balances;
- Each loan must be repaid within five years through payroll deductions;
- Payroll deductions must be at least 2 percent of your salary;
- A \$20 service charge is deducted from the check we send you;
- Only one loan may be taken within each 12-month period;

Tier 5 PFRS members and Tier 3 PFRS members covered by Article 14 benefits can now borrow against their 3 percent contributions.

- The current interest rate on new loans is 6.5 percent; and
- Your loan is insured against your death prior to retirement 30 days after it's issued.

A word of warning — if you have an outstanding loan balance when you retire, your pension benefit will be permanently reduced. You cannot pay off this balance after you retire. For more information about Retirement System loans, please visit our website or contact our Call Center.



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If You Have a Loan and Go Off the Payroll

Allowing eligible members to borrow against their contributions is an important service we offer. But what happens if you have an outstanding loan, go off the payroll and your automatic loan payments are discontinued before the loan is paid off?

The answer is... it depends. If you leave your job because you're retiring, then your pension benefit will be permanently reduced — you can't pay off your loan once you've retired.

However, if you leave work for any other reason, you are required to make direct payment at least quarterly, and to complete repayment within five years from the date the loan was issued. If you fail to meet either of these conditions, your loan will default. If that happens:

- We must report your outstanding balance, minus any previously taxed amount, to the IRS as a distribution to you.
- You must include the loan on your federal income tax return for the year it defaults. (If it was taxable prior to default, you will not be re-taxed on that portion of the loan.)
- If you're under age 59½, you will be subject to an additional 10 percent penalty on the taxable portion of the loan. (No New York State or local taxes are due on the distribution.)
- You still owe the balance to the Retirement System and the loan continues to accrue interest and insurance charges until it's paid in full.



- We cannot issue a new loan until the defaulted loan has been repaid.

If you leave public employment, contact us as soon as possible. We'll tell you the exact amount you need to repay to avoid defaulting. When making a payment, be sure to write "loan payment" on your check and include your member registration number so we can apply it to the correct account. Mail payments to us at the following address:

New York State and
Local Retirement System
Attention: Loan Unit
110 State Street
Albany, NY 12244.

For more information on loans, visit our website or contact our Call Center.

Retirement Filing Period Changed

You can now file your service retirement application with us as few as 15 days before your retirement date. Previously, the minimum number of days an application had to be on file was 30. This change became effective August 3, 2011, with the enactment of Chapter 375 of the Laws of 2011. You must file your service retirement application 15 to 90 days before your retirement date.

You can now file your service retirement application with us as few as 15 days before your retirement date.

An application is considered filed when it is received by our Albany, New York office, a representative at one of our consultation sites, or another office of the State Comptroller. Please do not give your application to your employer.

You do not have to file your application in person — you can mail it to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244. Your application will be considered filed when it is *delivered to us* by the Post Office. If you are concerned about meeting the 15-day filing deadline, you can mail your application "Certified Mail — Return Receipt Requested." When we receive your application, it will be considered filed on the date it was mailed.

Retirement Online

Retirement Online, a secure area of our website where you can view your personal retirement information, is a big hit with our members. You can see your latest total credited service, the salary data reported by your employer, the beneficiaries

you've designated, any loan and contribution balances, and so much more. Since it is secure, when you enroll, you'll create a user ID and receive a password so you can login. To enroll, visit our website, click on the "Quick Link" for

Retirement Online and

follow the easy directions.

And during your visit, be sure to browse around the site — you'll be surprised at all the useful information that's available.

Login/Enroll

Your Defined Benefit Pension

As a member of the Retirement System, you are covered by a defined benefit plan.

Your pension is determined by a set formula. Even though you may be required to contribute toward your pension, the amount of your benefit payment is not based on your contributions — it's based on your tier, retirement plan, years of credited service, final average salary and, depending on your plan, your age. Your pension benefit is guaranteed for your lifetime and, depending on the option you choose at retirement, for the lifetime of your beneficiary.

Some have suggested that New York State discard our defined benefit plan for a 401(k)-style defined contribution plan. They argue that defined benefit plans are too expensive.

But, recent studies have shown that defined benefit plans are nearly twice as efficient as individual 401(k)-style savings accounts.

With a 401(k) plan, employees deposit part of their salary into their retirement savings accounts. Employees don't pay federal income

tax on those deposits, or interest and dividends earned, until the funds are withdrawn.

Employers began offering these pre-tax retirement savings plans in the 1980s as a way to reduce taxable earnings and supplement retirement

income — not to replace traditional pensions. Defined contribution plans, like 401(k) plans, don't provide the same level of financial security as defined benefit plans — there is no guaranteed benefit.

Retirement income is based on the funds in the account. Since earnings on deposits are usually tied to stock market performance, retirement income under these plans is vulner-

able to fluctuations and volatility.

Dollar for dollar, defined benefit plans are more cost effective and do a much better job of providing retirement security for workers. As a public employee, you deserve to receive a secure, lifetime retirement benefit for your years of service.



Your pension benefit is guaranteed for your lifetime

New Law

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independent contractors and consultants. These practices have been extremely valuable for detecting pension fraud and recouping overpayments.

Until now, there has not been a mechanism for a similar comparison for retirees employed by the thousands of local public employers in New York State. With the passage of this new law, we can match our records with information reported to Tax and Finance by local governments to identify retirees who are improperly collecting a Retirement System pension and a local government salary.

“Together, we’ll solve this problem and stop this kind of abuse.”

“Government agencies should be enabled to work together to reduce waste, fraud and abuse,” said Comptroller DiNapoli. “This law will do just that. We have half the puzzle and Tax and Finance has the other half. Together, we’ll solve this problem and stop this kind of abuse.”

The Sentinel is a semiannual newsletter published by the New York State and Local Retirement System for active members of the New York State and Local Police and Fire Retirement System.

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