



A Message From Comptroller Thomas P. DiNapoli

Over the past several months, we've all seen the media coverage regarding public employee pensions and retirement benefits. Debate is always a necessary and welcome part of any democracy, but amid all the sound and fury, it can often be difficult to separate fact from fiction.

The truth is, when it comes to the State pension fund, New York is not like other states. New York's pension fund is among the best-funded in the country. While some other states have neglected their payments, New York has always made its required contributions. The Fund's ability to meet its obligations has never been in jeopardy,

and the pensions of our retirees and beneficiaries are secure.

The impact of the Great Recession on our investments, combined with the costs of negotiated salary increases and employment levels, has caused required employer contributions to the Retirement System to rise. This has increased fiscal pressure on the State and local governments across New York.

But the New York State Common Retirement Fund is well-managed. We've weathered these difficult economic times better than other states, and our strong investment strategy has helped control costs. From 1990-2010, 84 percent of all pension benefits were paid for

with investment returns.

And despite all the attacks, I still believe strongly in our defined benefit pension system. Dollar for dollar, defined benefit plans are twice as efficient as any other plan for retirement benefits. Please take the time to read over this newsletter and feel free to reach out to my office with any questions or concerns regarding your pension.

Sincerely,

Thomas P. DiNapoli
State Comptroller



The Value of a Defined Benefit Plan

Comptroller Thomas DiNapoli is dedicated to ensuring that the New York State and Local Retirement System continues to provide a stable and secure benefit for its members. This important responsibility is the reason Comptroller DiNapoli has supported — and will continue to support — our current system of providing a defined benefit plan for retirees.

Recently, there have been calls to abandon the defined benefit approach in favor of a 401(k)-style plan based on individual retirement accounts. However, as we saw during the economic collapse of 2008-09, this alternative to our current system simply

does not provide adequate retirement security. More than \$2 trillion was lost in individual retirement savings accounts during the recession, disrupting many New Yorkers' plans for retirement. New York State should not be in the business of forcing retirement-age employees to choose between retiring poor or not retiring at all.

There is ample evidence that a defined benefit plan is more economical for both retirees and taxpayers. Pension funds pool risk so that retirees do not need to worry about outliving their savings. Fees for managers of 401(k)-style systems can eat up as much as one-third of retirement savings, and

research has shown that these types of plans are half as efficient administratively as defined benefit plans.

There's another good reason to avoid switching retirees to 401(k)-style plans: less income security for retirees also means less spending and less tax revenue for our economy. There are more than 290,000 State and local government retirees and beneficiaries who live in New York, and every year all those retirees generate \$9.5 billion in economic activity in New York State. As Comptroller DiNapoli has said over and over again, a strong pension fund with defined benefits means a better State for all of us.

Saving for Retirement — How Much is Enough?

Your pension and Social Security benefits are two key components of a well-rounded financial plan. Saving is another essential element. How much you need to save depends on your personal retirement goals. Experts estimate we will need approximately 80 percent of our pre-retirement income to maintain our current standard of living. Depending on your goals, you may need more, and your savings plan must take that into account. A retirement needs assessment can help you develop that plan.

Determining your retirement needs is the first step in successful retirement planning. According to a 2010 survey by the Employee Benefit Research Institute,* workers who have completed a needs assessment are more likely to be very confident they have saved enough money for a comfortable retirement. However, only 46 percent of workers surveyed had actually completed a retirement



needs assessment. Instead, many merely guessed when it came to retirement savings.

Playing a guessing game with your retirement is risky. Fortunately, there are several online tools that can help you determine if you're on track to meet your goals. Before you begin, you'll need to gather some information about your retirement income and current savings.

- **Your retirement benefit.**

There are a couple of resources to help you determine the approximate amount of your retirement benefit. If you are within 18 months of being eligible for retirement, request a general estimate. Your estimate will give you a good idea of what your benefit could be under each of the various retirement options. To receive an estimate, send us your completed Request for Estimate form (RS6030).

If you are not within 18 months of retirement eligibility, the Benefit Projection Calculator on our website will give you a ballpark idea of your benefit, using information you provide. Visit www.osc.state.ny.us/retire/members and look for the link under "Ready to Retire." Have your most recent Member Annual Statement handy. (If the calculator cannot provide a projection for your retirement plan, contact us.)

continued on page 3

Five Tips to Successful Saving

- 1. Set Goals and Stick to Them**

Establish a realistic amount you can save every payday.

- 2. Pay Yourself First**

Make saving a priority.

- 3. Make It Easy to Save**

Have money transferred into savings automatically.

- 4. Don't Dip Into Your Savings**

You'll lose principal and interest, and you may lose tax benefits.

- 5. It's Never Too Early to Start**

The sooner you start saving, the more time your money has to grow.

* Employee Benefit Research Institute (www.ebri.org) is an independent non-profit organization committed exclusively to data dissemination, policy research, and education on economic security and employee benefits.

- **Your Social Security benefit.**
Each year, approximately three months before your birthday, you should receive a Social Security Statement that includes an estimate of your benefit. If you do not automatically receive this statement, you can visit the Social Security website (www.ssa.gov) to request one.

- **Savings and other income.**
Compile a list that includes savings, investments, deferred compensation, income from rental property, pensions from private employment and any other source of retirement income you may have.

Once you have a good idea of what your retirement goals are and what your income could be, you can use an online calculator to see if you're headed in the right direction. Here are a few online calculators to consider:

- **The American Savings Education Council (ASEC)**
ASEC provides a *Ballpark E\$timate* on its website at www.choosetosave.org/ballpark. You can use the online interactive version, which does the math for you, or you can print a two-page worksheet and do the estimate manually. The worksheet is also available in Spanish.
- **AARP**
The Retirement Planning section of AARP's website (www.aarp.org/work/retirement-planning) has an easy-to-use online retirement calculator, as well as retirement planning news.
- **United States Department of Labor (DOL)**
Taking the Mystery Out of Retirement Planning is one of many publications offered by the DOL. The online version (www.dol.gov/ebsa/publications/nearretirement.html) includes

interactive worksheets that will help you determine if your retirement savings will cover your expenses. You may find it useful to have a list of your monthly expenses nearby as you use this calculator.

- **Social Security Administration (SSA)**
There are several retirement planning tools designed to help you understand your Social Security benefits available on the SSA website at www.ssa.gov/retire2.

Remember, the sooner you start saving, the more time your money has to grow. So, even if you are not planning to retire for many years, it's not too early to do a retirement needs assessment and start your savings plan.

E-News

Timely, Relevant,
Convenient

As an *E-News* subscriber, you'll receive a monthly email containing information about your benefits, tips on preparing for retirement and updates on new laws that could affect you. Sign up today at: www.osc.state.ny.us/retire. It's a quick, convenient and free way to stay informed.



Immediate Access to Your Information

You can find all your personal retirement membership information as of the end of the State's fiscal year on your Member Annual Statement. But, if you want updated information about your membership during the year, you should enroll in *Retirement Online*.

Retirement Online is a free service that enables you to view your personal membership data whenever you choose. Perhaps you've recently mailed us a change of address or new beneficiary designation. With *Retirement Online*, you can confirm that the changes you requested have been made. You can also keep track of your loan balance and view your current contribution balance and service credit. Access is quick and easy, and your information is in a completely secure web environment.

Signing up for *Retirement Online* is easy too. Visit our website at www.osc.state.ny.us/retire, click on *Retirement Online*, and then Enroll/Login. You will be asked to enter some personal information and create a user ID. We'll then mail a password to your home address, which you will use, along with your user ID, the first time you log in.

Retirement Online gives you access to your membership information when you need it. Consider signing up today.



What You Should Know Before Leaving Public Employment

If you leave public employment, it's crucial that you understand how your pension benefit, death benefit and Retirement System loan (if you have one) will be affected. Before you make any decisions about your membership, consider these facts.

Membership

Should you remain a member, or end your membership and withdraw your contributions? Your decision may depend on how much service credit you have and whether you are vested when you leave public employment. Vesting means you have earned enough service credit to qualify for a pension benefit when you reach retirement age, usually 55. Tier 1, 2 and 3 members are vested with five years of service credit; Tier 5 members must have ten years of service credit.

If you have ten or more years of service credit, regardless of your tier, you cannot end your membership. You are eligible for a pension benefit when you reach retirement age. Your pension will be based on the service credit and salary you earned when you were in public employment. Make sure you apply for your pension when you become eligible — payment is not automatic.

If you are a Tier 2 or 3 member and have between five and ten years of service credit, you have two options. You can choose to leave your membership intact and apply for your pension benefit when you reach retirement age. Or, you can end your Retirement System membership and receive a refund of your contributions by sending us a completed Withdrawal Application (RS5014). You must be off the payroll at least 15 days before submitting the application.

If you are a Tier 2 or 3 member with less than five years of service credit or a Tier 5 member with less than ten years, you can either end your membership and withdraw your contributions, or keep your membership intact and leave your contributions on deposit (earning interest at five percent). If you keep your membership intact and return to public employment within seven years, the service and salary you earn with your new employer will be added to your existing membership. If you don't return to public employment within seven years, your membership will automatically end. At that point, you may wish to withdraw your contributions, since they will no longer earn interest.

Death Benefits

With at least one year of service credit (90 days for some PFRS Tier 2, 3 and 5 members), you have death benefit coverage for up to one year after leaving public employment, as long as you don't end your membership and are not gainfully employed during that year. With ten years of service credit, you are covered if you die before retirement, regardless of whether you are gainfully employed. Refer to your retirement plan summary on our website for additional information about death benefit coverage.

Loans

If you leave public employment and have an outstanding loan, you must make at least one payment every three months and repay the loan within five years from the date it was issued. Otherwise, your loan will default and we must report the outstanding balance to the IRS. Your loan may be taxable and you may incur penalties. Make your



check or money order payable to the New York State and Local Retirement System (NYSLRS), write "loan payment" and your retirement registration number or the last four digits of your Social Security number on your check. Payments should be mailed to:

NYSLRS
Receipts Unit
110 State Street
Albany, NY 12244-0001

Once you are off the payroll, you are not eligible to take a loan from the Retirement System.

For more information, including the tax implications of withdrawing your contributions, read our publication, *What If I Leave Public Employment?* available on our website at www.osc.state.ny.us/retire/publications.

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.

Comptroller — Thomas P. DiNapoli
Executive Deputy Comptroller —
Kevin Murray

Deputy Comptroller — Mark Pattison
Editor — Mary Ellen Nedelsky
Graphic Artist — Sonja Tzambourakis
Writer — June Hughes

Send your comments by email to:
comnews@osc.state.ny.us

or write to:
NYSLRS
Retirement Communications
110 State Street
Albany, NY 12244-0001.

