

Retirement Payment Options: Tiers I/II and TDA Annuitization Options



This brochure summarizes the payment options available to you at retirement. Please read it carefully before electing a payment option on your retirement application.

As a Tier I or II member of the Teachers' Retirement System of the City of New York (TRS), you have a variety of choices regarding the distribution of your retirement allowance under the Qualified Pension Plan (QPP). In all cases, you would receive a monthly retirement allowance payment for your lifetime.

You may elect to receive your **Maximum Payment Option**. If, however, you want to provide for one or more beneficiaries, you have several choices, each of which would reduce your monthly retirement allowance payment: options that provide a *lump-sum payment* to your beneficiary(ies) upon your death, or options that *guarantee* that a certain number of payments will be made to you (or to your beneficiary, if you should die before the designated number of payments have been made). You choose a payment option and designate your beneficiary(ies) on your retirement application.

Please note: If you are eligible, you would also receive a permanent cost-of-living adjustment (COLA) to your retirement payment allowance; however, upon your death, your spouse beneficiary (if (s)he is receiving a joint and survivor benefit) would be eligible for *half* the COLA amount you would have received. Please see the *Service Retirement Plans and Benefits for Tiers I/II* brochure for additional information.

The payment options described in this brochure are also available to participants in TRS' Tax-Deferred Annuity (TDA) Program for payment of their TDA annuity. Members who would like to annuitize their

TDA funds may do so by filing a "TDA Annuitization Election Form" (code TD6) at retirement, or (if they elected TDA Deferral status) any time after retirement. Please see the *TDA Options at Retirement* brochure for additional information.

Regardless of what option you choose, a fractional amount of the retirement allowance payment for the month in which you die would be payable. This fractional payment is based on the number of days that you are alive during that month and would be payable to your designated fractional beneficiary(ies), provided you do not die on the last day of the month.

You may designate your fractional beneficiary on your retirement application or your "TDA Annuitization Election Form." You may change your fractional beneficiary designation at any time by accessing the secure section of our website or by filing a paper "Designation of QPP Fractional Beneficiary Form" (code EN24) or "Designation of TDA Fractional Beneficiary Form" (code EN25) for your TDA funds.

For Tier II members who elected Death Benefit #2 (or were deemed to have elected it at enrollment), a lump-sum benefit would be payable to your beneficiary. You may designate your beneficiary for Death Benefit #2 on your retirement application, and change this designation by accessing the secure section of our website or by filing a paper "Change of Beneficiary Form for the Post-Retirement Death Benefit Under Death Benefit #2" (code EN34).

Tiers I/II members who file for service retirement may change their QPP retirement allowance payment option and/or TDA Annuitization option within 30 calendar days following their effective retirement date. Tiers I/II members who file for disability retirement may change their option either 30 days from the date their disability retirement application was approved or within 30 days of the date they retired as a result of the disability, whichever is later. Such changes become irrevocable at the end of the 30-day time period. Eligible members who would like to change their option must file a "QPP Retirement Payment Option Change Form For Tiers I/II Members Only" (code RW86) and/or a "TDA Annuitization Option Change Form" (code RW87).

MAXIMUM PAYMENT OPTION

If you elect this option, you would receive the highest retirement allowance to which you are entitled. By choosing this option, you elect not to provide for a beneficiary after you die. All retirement allowance payments would cease upon your death, other than the fractional retirement allowance payment for the month in which you die, and the benefit payable under Death Benefit #2 (if applicable).

LUMP-SUM PAYMENT OPTIONS

Under the following options, a lump-sum benefit would be payable to your beneficiary(ies) after your death. Therefore, the amount of your monthly retirement allowance payments would be reduced. Electing one of these options would allow you to designate primary and contingent beneficiaries (see page 3), and change your beneficiary designation(s) at any time.

- **Option I Unmodified** (Tier I) or **Option I** (Tier II and TDA): If you die before your monthly retirement allowance payments deplete your initial reserves*, the remaining balance would be made payable in a lump sum to your beneficiary(ies). Tier II members must also elect a separate payment option (other than Option IV-b) for the Pension Reserve portion of their QPP retirement allowance, which represents the City of New York's contribution to their retirement allowance.

- **Option I Modified** (Tier I only): This option is similar to Option I Unmodified in that your beneficiary(ies) would receive any remaining reserves in a lump sum. However, under this modified option, your monthly retirement allowance payments would be smaller than they would be under Option I Unmodified, to provide a potentially higher death benefit to your beneficiary(ies).

If the value of the death benefit under the lump-sum options above exceeds \$10,000, the benefit may be paid in an annuity or lump sum. You may predesignate the payment method on your retirement application. If you do not choose to do so, and the payment exceeds \$10,000, your beneficiary(ies) may elect the payment method after your death.

*Your initial reserves are the amount (based on your actuarial life expectancy) that TRS sets aside to fund the payment of your retirement allowance. Under the lump-sum payment option(s), if you die before this amount is exhausted, your beneficiary would receive the remaining balance. If this amount is exhausted before you die, you would continue to receive monthly retirement allowance payments for as long as you live, but no benefit would be payable to your beneficiary.

- **Option IV-b:** You must select a lump-sum dollar amount to be paid to your beneficiary(ies). It must be in a multiple of \$1,000, but may not be greater than your Annuity Savings Fund (ASF) balance as of your initial payability date. (If you select this option for your TDA annuitization, the amount you choose may not be greater than half the value of your TDA account balance as of your initial payability date.) You must elect the dollar amount that your beneficiary(ies) would receive after your death. In contrast to Option I, this amount, which is set aside from your ASF, would not be reduced by your monthly retirement allowance payments. (If you select this option for your TDA annuitization, the amount you choose is not reduced by the annuity payments you receive.) For your QPP retirement allowance only, you must also elect a separate payment option (other than Option IV-b) for the Pension Reserve portion of your retirement allowance.

Under this option, you must designate whether the death benefit will be paid from your Fixed Return or variable-return Passport Funds. If you do not make an election, monies would be withdrawn in the following order:

- 1) Fixed Return Fund
- 2) Diversified Equity Fund
- 3) Bond Fund*
- 4) International Equity Fund
- 5) Inflation Protection Fund
- 6) Socially Responsive Equity Fund

*Through December 2011, the Bond Fund was known as the Stable-Value Fund.

Should the lump sum be paid from funds in a variable-return Passport Fund, a number of units equaling the dollar amount that you elect would be set aside (based on the unit value on your initial payability date). After your death, these units would be converted to dollars based on their unit value on the day you died and paid to your beneficiary(ies).

GUARANTEED NUMBER OF PAYMENTS OPTIONS

Under the following options, a guaranteed number of payments of your retirement allowance would be made. If you receive the guaranteed number of payments, you would continue receiving monthly retirement allowance payments until you die, but no benefits would be payable to your beneficiary(ies), other than the fractional payment for the month in which you die, and Death Benefit #2, if applicable. Electing one of these options would allow you to designate primary and contingent beneficiaries, as well as change your beneficiary designation(s) at any time within the payment period.

- **Option IV-d (5-year certain):** This option guarantees that, if you die before receiving a total of 60 monthly retirement allowance payments, any remaining guaranteed payments would be made to your primary beneficiary(ies), if living. If you and your primary beneficiary(ies) die before the 60 monthly payments have been made, any remaining guaranteed payments would be made in a lump sum to your contingent beneficiary(ies), if living. If you and all of your beneficiaries die before the 60 payments have been made, the

remaining guaranteed payments would be paid in a lump sum to your estate. After your death, once 60 total payments have been made, all payments would cease.

- **Option IV-e (10-year certain):** This option is similar to Option IV-d in that a guaranteed number of monthly retirement payments would be made, as described above. However, under this option, 120 payments would be guaranteed. To provide this 10-year guarantee period, your monthly retirement allowance payments would be smaller than they would be under Option IV-d.

If you elect Option I, Option I (Modified or Unmodified), IV-b, IV-d, or IV-e:

- These options provide for both “primary” and “contingent” beneficiaries. Payment would be made as follows: After your death, any living primary beneficiaries may receive payment; any contingent beneficiaries may receive a lump-sum payment only if ALL primary beneficiaries are deceased.
- You may change your beneficiary designation(s) in the future by accessing the secure section of our website or by filing the applicable paper “QPP Change of Beneficiary Form” (EN19 for Options I(Modified or Unmodified) and IV-b; EN18 for Options IV-d and IV-e) or “TDA Change of Beneficiary Form” (EN20 for Option I or IV-b; EN21 for Options IV-d or IV-e).

CONTINUING PAYMENT OPTIONS

Under the following options, after your death, your beneficiary would receive lifetime monthly payments equaling a percentage of your reduced monthly retirement allowance payments. (Beneficiaries may not elect to receive a lump-sum payment after your death under these options.) Electing one of these options would allow you to designate only one beneficiary; this designation would become irrevocable as of your initial payability date. There are two types of options that would provide lifetime payments to your beneficiary: options providing a constant payment amount and “pop-up” options. Under any of the options providing a constant payment amount, the amount of your reduced monthly retirement allowance payments would not change during your lifetime (aside from fluctuations

in variable-return Passport Funds, due to monthly unit value changes). If your beneficiary dies before you do, no death benefit would be payable (other than the fractional payment for the month in which you die, and Death Benefit #2, if applicable) and your reduced monthly payment amount would not change.

- **Option II:** Your beneficiary would receive lifetime monthly payments equal to 100% of your reduced retirement allowance payments.
- **Option III:** Your beneficiary would receive lifetime monthly payments equal to 50% of your reduced retirement allowance payments.
- **Option IV-a:** Your beneficiary would receive lifetime monthly payments equal to any percentage of your reduced retirement allowance payments (other than 100% or 50%) that you designate.

The “pop-up” options are similar to the constant payment options. The difference is that, for as long as your beneficiary is alive, your monthly retirement allowance payments are further reduced; if your beneficiary dies before you do, the amount of your monthly retirement allowance payments would be increased to the maximum to which you are entitled; no benefit would be payable (other than the fractional payment for the month in which you die, and Death Benefit #2, if applicable).

- **Option IV-2:** Your beneficiary would receive lifetime monthly payments equal to 100% of your reduced monthly retirement allowance payments. If your beneficiary predeceases you, your reduced monthly retirement allowance payments would “pop up” to the maximum amount.
- **Option IV-3:** Your beneficiary would receive lifetime monthly payments equal to 50% of your reduced monthly retirement allowance payments.

If your beneficiary predeceases you, your reduced monthly retirement allowance payments would “pop up” to the maximum amount.

- **Option IV-4:** Your beneficiary would receive lifetime monthly payments equal to any percentage (other than 100% or 50%) that you designate. If your beneficiary predeceases you, your reduced monthly retirement allowance payments would “pop up” to the maximum amount.

If you elect Option II, III, IV-a, IV-2, IV-3, or IV-4:

- These options provide for only one beneficiary; you may not change this beneficiary designation after your initial payability date.
- Your beneficiary’s age is a factor in computing the amount of your reduced monthly retirement allowance payments; therefore, you must submit proof of your beneficiary’s date of birth in conjunction with your retirement application.

The items below are considered acceptable proof of date of birth; photocopies are acceptable. (Any proof of date of birth in a foreign language must be accompanied by a translation.) Only **ONE** of the following items is necessary: birth certificate; passport; or naturalization document.

If none of the above is available, then **TWO** of the following are required: driver’s license; certificate of military record; Form SSA-2458 (Report of Confidential Social Security Benefit Information); or other government-issued identification.

NOTE FOR TIER I MEMBERS: *Please see your service retirement application for important information about the benefits payable should you die within the first 30 days after your initial payability date.*

For your convenience, TRS forms and publications are available on our website.
If you require additional assistance, please contact our Member Services Center at 1 (888) 8-NYC-TRS.

This publication should not be solely relied upon, as it is based on currently available information that is subject to change. TRS suggests that you consult with an attorney and/or a tax advisor if you have any specific legal or tax questions concerning this information. In all cases, the specific provisions of the governing laws, rules, and regulations prevail.



Teachers' Retirement System of the City of New York
55 Water Street, New York, NY 10041
www.trsnyc.org • 1 (888) 8-NYC-TRS