

TRS TAX-DEFERRED ANNUITY PROGRAM

TDA Season Is Here

Fall has arrived and that means it's another season to think about the Tax-Deferred Annuity (TDA) Program once again. TDA is the supplementary investment program offered by the Teachers' Retirement System (TRS) of the City of New York.

You can learn all the information you need about TDA by visiting the TRS website at www.trsnyc.org. If you register on the site and create a username and password, you can also manage your TDA account online. Once you log in, you'll see your account information on a page called My Home. From there, you can enroll in TDA. Or, if you already have a TDA account, you can view your TDA account information, make changes in investment choices, change your contribution rate and even apply for TRS loans.

Of course, you still have the option of getting account information and ordering forms by phoning TRS at 888-8-NYC-TRS — that is, 888-869-2877.

What is a TDA?

The TDA Program is a voluntary savings program provided by section 403B of the Internal Revenue Code. It enables you to save money for retirement on a tax-deferred basis. You make contributions to the program through payroll deductions that are taken before income taxes are deducted. This reduces your taxable income, thereby lowering your current tax expense.

Another tax advantage is that earnings on your TDA investments are not taxed until your TDA funds are actually distributed to you. And you can use TDA funds to purchase credit for prior service.

Here's a summary of the key TDA rules:

- TRS members can enroll in the TDA program at any time. You can

open a TDA account and designate beneficiaries online by logging in to the TRS website at www.trsnyc.org. Or you can file a paper TDA Enrollment Form (TD1) and a Designation of TDA Beneficiary Form (EN8).

- Newly appointed members will receive a TDA Enrollment Form along with a Welcome Kit from the TRS later in the fall.
- Under the TDA automatic re-enrollment feature, current TDA contributors do not have to file anything to continue contributing in 2016 under their current contribution rate elections (although the rate may be adjusted in some cases).
- However, TDA participants may change their contribution rate by filing the TDA Contribution Rate Change Form (TD4) or logging in to the TRS website at www.trsnyc.org. Changes received by the end of November will be processed for January.
- Participants can elect a specific percentage of salary to contribute or choose their "Full-Year, Full-Contribution Rate" (formerly "maximum" rate), which will result in the maximum contribution allowable from year to year. A new calculator on the TRS website (under Forms/Tools) can help you find the right rate for you.
- Your Full-Year, Full-Contribution Rate for the next calendar year will be included in your Quarterly Account Statement (QAS) for the third quarter of 2015. The IRS has not established contribution limits for 2016, so the TRS has calculated these limits based on the limits for 2015.
- Based on the rules for 2015, members under age 50 may contribute up to \$18,000 to their TDA in 2015. Members age 50 or older may contribute up to \$6,000 a year in catch-up contributions over the maximum contribution amount in 2015. Members of any age

Continued on page 4

Changing your TRS Investment

You can make investment changes quarterly. Be sure to base your investment decisions on your financial goals and your risk tolerance (see "Choices" on page 2).

If you are not sure how you invested your funds in the past, consult your Quarterly Account Statement or log into your account on TRS's website at www.trsnyc.org.

TRS members are reaping the benefits of the investment flexibility law, which gives the Teachers' Retirement Board broader powers in shaping the investment program.

You can elect to have your past or future TDA contributions invested in any or all of the Passport Funds. You must place at least 5 percent of your total contribution in any one investment choice, with additional amounts in 5 percent increments. For example, you may contribute 50 percent to the Diversified Equity Fund, 20 percent to the Socially Responsive Equity Fund, and 30 percent to the

Fixed Return Fund; or you may invest 90 percent in the Fixed Return Fund, 5 percent in the International Equity Fund and 5 percent in the Inflation Protection Fund. These are only illustrations, not recommendations.

If you wish to make changes that will take effect in January, TRS must receive your TDA investment elections by Dec. 1st. You may make changes on the TRS website at www.trsnyc.org, or file the TDA Investment Election Change Form (TD45).

Members of the Board of Education Retirement System (BERS) will receive the same two choices as in the past. That is, they can either invest 100 percent in the Fixed Return Fund or in the Diversified Equity Fund, or 50 percent in the Fixed Return Fund and 50 percent in the Diversified Equity Fund.

CHOICES!

Here is a brief description of the investment choices available to TDA participants in TRS and BERS. Under current law BERS members can only invest in the Fixed Return Fund and the Diversified Equity Fund.

Beginning July 1, 2008, three new investments were added to the available choices for TRS participants, for a total of six Passport Funds. It is now easier for TRS members to move their money from fund to fund as their personal investment objectives change.

Passport Funds

Here are the six funds and a reminder of each fund's objective:

Fixed Return Fund: Offers guaranteed rate of return set by the New York State Legislature. TDA investments in this fund are credited with 7% annually.

Diversified Equity Fund: Invests primarily in U.S. stocks, with a portion of the fund invested in stocks of non-U.S. companies and other types of investments that may exhibit fixed-income characteristics. The objective is to achieve a rate of return comparable to the return of the broad stock market.

The following four funds are available in TRS. They are not available in BERS.

Bond Fund: Invests primarily in a portfolio or portfolios of high-quality bonds that provide for participant transactions at market value. The objective is primarily to seek current income from a diversified portfolio of high-quality bonds.

International Equity Fund: Primarily invests in non-U.S. companies in developed markets, traded on a variety of stock exchanges and denominated in a variety of currencies. The objective is to provide long-term capital growth, and to achieve a rate of return comparable to the return of the non-U.S. markets over a full market cycle. This additional investment allows a member to increase participation in the world economy above the 15 percent allocation to International stocks in the Diversified Equity Fund.

Inflation Protection Fund: Invests in multiple asset classes and markets, which may include floating debt rate, commodities, inflation-protected debt (including TIPS), and real estate debt and equity securities. The objective is to provide over a full market cycle a real rate of return that exceeds inflation.

Socially Responsive Equity Fund: Invests primarily in U.S. equities that meet certain financial and social criteria. It attempts to avoid companies that receive a significant portion of their revenues from alcohol, tobacco, nuclear power or weapons; and do not have poor labor-management relations, damage the environment or create public health problems. The objective is to achieve long-term capital growth at a rate of return comparable to that of the broad stock market while reflecting social priorities.

These brief descriptions indicate the highlights of the funds. More detailed descriptions of the investments are found in TRS publications such as "Passport Funds: Fund Profiles." Remember, never invest in any investment whose goals and risks you do not understand.

TRS Rules for Making Changes in your Investment Choices

ANNUALIZED TRS INVESTMENT PERFORMANCE

	Quarter	1 Year	3 Years	5 years	10 Years
	4/1/15 to 6/30/15	7/1/14 to 6/30/15	7/1/12 to 6/30/15	7/1/10 to 6/30/15	7/1/05 to 6/30/15
Fixed Return Fund (TDA/UFT) ^	–	7.00%	7.00%	7.00%	7.61%
Diversified Equity	0.06%	4.85%	15.86%	15.53%	7.33%
Bond ^^	-0.12%	1.10%	0.99%	N/A	N/A
International Equity	0.84%	-3.94%	10.98%	9.29%	N/A
Inflation Protection	-0.45%	-4.82%	3.79%	5.38%	N/A
Socially Responsive Equity	-0.93%	6.09%	17.95%	15.31%	N/A

Quarter	In-Service and Deferred TDA, In-Service QPP
Jan. 1	File by Dec. 1
April 1	File by March 1
July 1	File by May 31
Oct. 1	File by Aug. 31

If the file-by date falls on a weekend or holiday, the actual deadline for a paper form would be the preceding business day

- Here is a reminder of the rules for making investment elections:
- All investment changes for both in-service and retired members are allowed quarterly. Changes can now be made over a 1-month period, in addition to the periods of 3, 6, 9, or 12 months available previously. At retirement, members can select an immediate conversion.
 - Election change forms can be submitted at any time of the year. The change will begin at the next quarterly period, assuming the change application is filed in a timely manner. If not timely filed, the change will occur at the start of the following quarter.



This Q&A will help you understand the terms and conditions of the Tax-Deferred Annuity (TDA) Program. However, it should not be considered as legal or tax advice. For that, you should consult your own legal or tax adviser or the IRS. Since technical requirements apply to instruments with tax-free or tax-deferred status, consult competent advisers before taking any action.

For more information about the TDA Program, read the October issues of the New York Teacher.

Is participation in the TDA mandatory?

No. It is entirely voluntary.

Who can enroll in the TDA program?

It is open to all members of the Teachers' Retirement System (TRS).

What if I am a BERS member?

There is a TDA plan for BERS members. Most of the answers in the Q&A apply to the Board of Education's Retirement System. You can only invest in the Fixed Return Fund and the Diversified Equity Fund. However, you must send your form to BERS by Nov. 1, 2015. If you have any questions not answered here, or if you have not received an enrollment form, call BERS at 718-935-5400 or log on to the BERS website at www.nycbers.org.

Do I have to file a TDA election by the end of November?

The November deadline applies if you want to start contributing, stop contributing, or contribute at a new rate as of the first check in January 2016.

How would I know what I can contribute in 2015?

Your Quarterly Account Statement (QAS) for the third quarter of 2015 will show your current TDA contribution rate, your "Full-Year, Full-Contribution Rate" for 2016 (which will bring you to your maximum contribution at the end of the year), and your actual rate for next year if you make no changes.

Is TDA triple tax-deferred?

In New York State you will not pay federal, state or city taxes on the amount you contribute until you withdraw your funds. However, state and local tax exemptions do not exist in all states. Please check with your tax adviser if you file taxes in another state. The TDA is always federal tax-deferred.

What are my investment options?

TRS members have six Passport Funds from which to choose. These are described on page 2. BERS members have a fixed return fund and the Diversified Equity Fund (Variable A).

How often may I change my investment choice?

You can change your choice of investment quarterly.

How much may I contribute?

You can contribute from 1 percent of salary up to the maximum amount. The amount of a contribution is regulated by the Internal Revenue Service. The maximum amount for 2016 has not yet been announced, but the general maximum for 2015 is \$18,000. You also may be eligible to contribute additional "catch-up" contributions (see the summary of TDA rules on page 1).

What if I enroll and later wish to stop making contributions?

You may stop TDA contributions during the year by filing a TDA Contribution Rate Change Form (TD4), which is available by calling TRS at 888-8-NYC-TRS. You may also file online after logging in to the TRS website, www.trsnyc.org. Elections received by the end of November will be processed for January.

What if I enroll and later wish to increase or decrease the percentage I chose to invest?

You may file a TDA Contribution Rate Change Form or make the change online at the TRS website at www.trsnyc.org. Elections received by the end of November will be processed for January.

Can I borrow money from my TDA account?

Yes. To do so, you may file a TDA Loan Application (LO15) or use the online loan application on the TRS website, www.trsnyc.org. Members must have participated in the TDA Program for at least one year to be eligible. To learn if you are eligible for a TDA loan, you may contact TRS at 888-8-NYC-TRS. Many financial experts believe that taking a loan from TDA-type accounts is not generally a wise thing to do.

Is it possible to withdraw funds from my TDA if I need the money?

All members may withdraw their pre-1989 TDA funds at any time. In-service members under age 59½ may withdraw post-1988 contributions only in the case of hardship, as defined by the Internal Revenue Service. You will be obligated to pay federal, state and local taxes on the withdrawn money for the year you receive it unless you are eligible for an IRA rollover. In addition, the IRS may impose an additional 10 percent tax on all direct withdrawals. Because of possible penalties and limitations, members should carefully review their financial status before deciding how much to contribute.

When can I withdraw the funds in my TDA account without penalties?

You can withdraw without penalties if you are 59½ and in-service; retire in the year you are age 55 or older; retire for disability; retire or resign and roll over your funds into an individual retirement account (IRA) or withdraw for certain medical expenses. Beneficiaries may also roll over the member's TDA fund. If the check is issued to you, TRS is required to withhold and pay to the IRS 20 percent of the amount withdrawn, which is applied toward your tax obligation in that year against any taxes due at the end of the filing year.

Can I withdraw the funds in my TDA account and invest them privately if I am under 59½ and still working?

Yes. Members under age 59½ who remain in-service may roll over their pre-1989 TDA fund balance by requesting that TRS send the withdrawal directly to a qualified investment vehicle, such as an IRA.

What happens to my TDA account if I resign?

If you resign from your position before being vested, you have a choice: (1) you may withdraw or roll over your TDA funds at resignation or (2) you may leave them in the program for continued investment for up to seven school years after resignation. If you resign from your position with vested rights, you may withdraw your TDA contributions without losing those vested rights. You also may elect TDA Deferral Status and leave your funds with TRS until you are eligible to retire. At that time you can decide whether to withdraw the funds or leave them with TRS.

What happens to my TDA account when I retire?

At retirement, you can withdraw all or part of your money from the TDA or leave the money with TRS. If you leave the money with TRS, you can collect a second retirement check each month, or you can elect TDA Deferral Status and leave your funds for continued investment.

After retirement, by what age do I have to withdraw funds from my TDA account?

If you elect TDA Deferral Status at retirement, you do not have to begin receiving your TDA funds until April 1 of the year after you reach age 70½. At that time, you must begin receiving a required minimum distribution (RMD) of your post-1986 TDA account balance. You may do so by electing to annuitize your balance, or by withdrawing an amount equal to or exceeding the RMD. You must meet RMD requirements for any subsequent year in which you have a TDA balance. After you reach age 75, RMDs would be paid from both your post-1986 and pre-1987 funds.

Does participation in the TDA Program enable me to provide for a beneficiary?

Yes. It is crucial for participants to keep current beneficiary designations on file at all times. You can designate your beneficiaries online after logging into TRS's website, www.trsnyc.org. Or you may file the paper Designation of TDA Beneficiary Form (EN8), which is also available on the website or by phoning TRS. You may file a designation of beneficiary form at any time.

If, at the time of your death, you have not withdrawn all of your TDA funds or annuitized them, your account balance would be paid in accordance with your most recent TDA beneficiary designation on file with TRS. (In this case, any amounts invested in the variable-return Passport Funds are valued using the unit values for the month of death. In addition, interest is paid on the dollar value of all TDA funds, including those in the Fixed Return Fund, on a decreasing sliding scale, which starts 31 days after the date of death and eventually ceases.)

If you annuitize your TDA funds at retirement, you may elect the same types of payment options that are offered under the QPP (Qualified Pension Plan, the basic pension plan which provides your retirement allowance). Most of these options allow you to provide for a beneficiary after your death. In addition, beneficiaries of members in-service or on TDA Deferral Status may establish their own TDA account instead of receiving a death benefit payment.

How can I get further information about the TDA program?

You may consult the TDA Program Summary booklet on TRS's website, www.trsnyc.org, or contact TRS or a UFT pension consultant in your borough office.

Note:

If you are a member of the Board of Education Retirement System (BERS), check the BERS website at www.nycbers.org for slight differences in the BERS TDA Program.



United Federation of Teachers
A Union of Professionals

who have at least 15 years of qualifying city employment and who have contributed an average of \$5,000 or less to the TDA per year may contribute even more. They may add up to \$3,000 a year in additional catch-up contributions up to a total of \$15,000 over their career. These maximum amounts are reflected in the contribution rate percentage shown on your third-quarter QAS.

- To change the way their future contributions and/or past accumulations are invested, TDA participants may file the TDA Investment Election Change Form (TD45) or log in to TRS's website at www.trsnyc.org. You can make changes quarterly by filing by the first of the month preceding the quarter in question.
- If you are eligible for automatic re-enrollment but do not wish to contribute in 2016, file a TDA Contribution Rate Change Form (TD4) or use the TDA Contribution Rate Change option after logging in to TRS's website at www.trsnyc.org. If you want your contributions to stop as of Dec. 31, 2015, TRS must receive your election by the end of November.
- TDA participants who are not currently contributing to the TDA program must file a TDA Contribution Rate Change Form (TD4) to resume making TDA contributions in 2015 or log in to TRS's website at www.trsnyc.org to do so.
- To get forms, call TRS at 888-8-NYC-TRS, go to the TRS website, www.trsnyc.org, or phone your UFT borough office.

CHOICES! Continued from page 2

- Investment election changes for the quarter must be received at TRS at least 30 days before the start of the quarter (60 days for retirees and TDA annuitants). Here are the general filing deadlines: More information on these matters has been provided by the TRS. Read the material carefully before making changes.

These changes are designed to help you enjoy a more financially secure future. Please read all materials provided by the TRS on these matters. If you have any questions call the TRS or your UFT borough office listed on page 4.

Teachers' Retirement System.....	888-869-2877
Board of Education Retirement System	718-935-5400
Bronx UFT Borough Office	718-379-6200
Brooklyn UFT Borough Office.....	718-852-4900
Manhattan UFT Borough Office.....	212-598-6800
Queens UFT Borough Office	718-275-4400
Staten Island UFT Borough Office	718-605-1400

Neither the UFT nor TRS can give legal, tax or investment advice. They therefore cannot answer questions such as: What should I do? Which choice is best?