



Steady Contributions Can Build Retirement Security

As a new employee of the Department of Education, retirement is probably the last thing on your mind.

But you may not realize that your package of retirement benefits could easily become your largest fiscal asset down the line. A few easy steps now will protect your rights to these benefits when you're ready to turn the light out in your classroom for the last time.

The first step is to join the appropriate retirement system.

New Appointees

If you are a newly appointed teacher after March 31, 2012, you are automatically a member of the Teachers' Retirement System (TRS) and are covered by the provisions of Tier VI. You are required to pay a percent of your salary into the pension plan through payroll deductions. Your contribution rate could range from 3 to 6 percent, depending on your salary. In any case, your pension contributions are federally tax-deferred and will continue throughout your service.

The required deductions for your pension should occur by the time you have received your third or fourth regular paycheck. On your check stub you should see a 414H TRS code next to the amount that was deducted. If your deductions do not occur, call the TRS at 1-888-8-NYC-TRS or your UFT borough office. If you have any questions about your pension application, you should contact the UFT or the TRS.

As a new member, you will receive a kit of enrollment materials from the TRS. You must fill out the enrollment application and beneficiary form and return them with proof of date of birth and other information requested to the TRS. Delays in filing this material may also affect benefits for your beneficiaries. You will also receive separate enrollment information for the Tax-Deferred Annuity Program (TDA). We recommend you learn about TDA participation (See page 2) and enroll right away.

Not Regularly Appointed

If you are not regularly appointed, you may join the Board of Education Retirement System (BERS). For an enrollment form, write to the BERS at 65 Court Street, Brooklyn, New York 11201, or call 1-718-935-5400 or your UFT borough office.

The UFT secured this benefit in 1988 for teachers who are not regularly appointed and other part-time pedagogical employees. Previously, they could not join any pension system, losing years of membership credit toward their retirement benefits.

Although membership in the BERS is voluntary and requires a pre-tax contribution ranging from 3 to 6 percent of your salary, you should join. By enrolling in the BERS you will build eligibility toward retiring with a city pension and health plan and Welfare Fund benefits. (This is in addition to your Social Security.) If you become a regularly appointed teacher,

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TRS TAX-DEFERRED ANNUITY PROGRAM

The Smart Road to a Secure Retirement

Financial experts tell us that a financially secure retirement depends on four pillars of retirement security:

- a pension
- Social Security
- personal savings
- retiree health insurance

As Teachers' Retirement System (TRS) or Board of Education Retirement System (BERS) members, you are fortunate to have two of those components — Social Security and an excellent pension—as the basis for your retirement. And thanks to the tax-deferred annuity (TDA), you have the third component. It's an excellent way of saving for an even more secure retirement. Those who retire with more than 15 years of credited service are also covered by a retiree health insurance program.

The TDA is a voluntary program that grows out of Section 403(b) of the Internal Revenue Code. The TDA allows you to save for retirement with pre-tax dollars—thereby lowering your current taxable income—and lets those funds grow on a tax-deferred basis so you don't have to pay taxes on your savings contributions until you withdraw them.

No wonder so many members of the TRS and the BERS have taken advantage by enrolling in the TDA program. Since the TRS launched the TDA program in February 1970, total assets have grown to more than \$21.4 billion. Today more than 77,000 in-service members and more than 45,000 retired members have TDA investment accounts. And more than 3,100 retirees are collecting a second retirement check each month from their TDA accounts.

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Passport Funds

Members can invest their TDA funds in six different investments:

Fixed Return Fund: Offers a 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. Also, a portion of the fund is invested in a defensive manner in order to reduce volatility. The objective is to achieve a rate of return comparable to the return of the broad stock market.

Bond Fund: Invests primarily in portfolios of high-quality bonds, which may include Treasuries, Agencies, Corporates, Mortgages and other types of fixed-income instruments. 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 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.

developed market over a full market cycle. This additional investment allows a member to increase participation in International stocks in the Diversified Equity Fund.

Inflation Protection Fund: Invests in assets that may include but are not limited to commodities, real estate securities and inflation-linked bonds. The objective is to provide over a full market cycle a real rate of return that exceeds inflation.

Socially Responsive Equity Fund: Invests in stocks of companies that do not receive a significant portion of their revenues from alcohol, tobacco, nuclear power or weapons or 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 the TRS publication "Passport Funds: Profiles." Remember, never invest in any investment whose goals and risks you do not understand.

ANNUALIZED TRS INVESTMENT PERFORMANCE

	Quarter	1 Year	3 Years	5 years	10 Years
	4/1/13 to 6/30/13	7/1/12 to 6/30/13	7/1/10 to 6/30/13	7/1/08 to 6/30/13	7/1/03 to 6/30/13
FIXED RETURN FUND (TDA/UFT) ^	–	7.00%	7.00%	7.36%	7.81%
DIVERSIFIED EQUITY	1.92%	20.05%	16.69%	5.72%	7.48%
BOND ^^	(0.89%)	0.29%	N/A	N/A	N/A
INTERNATIONAL EQUITY	(1.44%)	16.85%	10.05%	2.74%	N/A
INFLATION PROTECTION	(4.13%)	5.54%	7.05%	6.06%	N/A
SOCIALLY RESPONSIVE EQUITY	1.95%	25.63%	16.01%	8.27%	N/A

Q&A TDA

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 members of the Board of Education Retirement System. Most of the answers in this Q&A also apply to the BERS. If you have any questions not answered here, or if you want an enrollment form, call the BERS at 1-718-935-5400.

Is a TDA triple tax-deferred?

In New York State you will not pay federal, state or local income taxes until you withdraw your funds. However, that is not true in all states. Please check with your tax adviser if you file taxes in another state. A TDA is always federally tax deferred.

What are my investment options?

TRS members have six choices: Fixed Return Fund, Diversified Equity Fund, Bond Fund, International Equity Fund, Inflation Protection Fund and Socially Responsive Equity Fund.

Only the Fixed Return Fund and the Diversified Equity Fund are available at BERS. A more detailed description of the funds appears on page 2.

Can I change my investment choice?

TRS allows members to change their choice of investment quarterly over three, six, nine or twelve months.

How much may I contribute?

Members under age 50 can contribute up to \$17,500 in 2013. Members age 50 and older can contribute up to \$23,000.

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

You may stop TDA contributions during the year by logging into the TRS Web site and using the Contribution Rate Change feature. You can also file the paper "TDA Contribution Rate Change Form" (TD4), which is available by calling the TRS' Member Services Center at 1-888-8-NYC-TRS. It takes at least 30 days for your contributions to stop.

BERS members may call 1-718-935-5400.

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

To change your contribution percentage, you may use the same online feature or paper form mentioned above. The change will take effect at least 30 days after you apply.

Can I borrow money from my TDA account?

Yes.

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 for disability; retire at age 55 or older; retire or resign and roll over your funds into an individual retirement account (IRA) or withdraw for certain medical expenses. A spouse-beneficiary of a deceased member may also, under certain circumstances, roll over the member's TDA fund. If the check is issued to the member, the 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. If you don't meet the above requirements, you must prove hardship in order to withdraw from your TDA and be required to pay a 10 percent excise tax.

What happens to my TDA account if I resign?

If you resign your position before being vested, you have a choice: (1) you may withdraw your TDA contributions at resignation or (2) you may leave them in the program for up to seven years after resignation. If you resign 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 contributions with the TRS until you are eligible to retire. At that time you can decide whether to withdraw the contributions or leave them with the TRS.

Note that if you withdraw your Qualified Pension Plan (QPP) balance from TRS after you resign, you must also withdraw your TDA balance too.

Can I use the Internet to manage my TDA account?

You can manage your TDA account using the TRS Web site (www.trsnyc.org) once you register on the site with a username and password. You can enroll in the TDA, elect and/or change your rate of contribution, elect or change your TDA investment choice, designate beneficiaries for your TDA account and even apply for a TDA loan.

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 TDA (and QPP) beneficiaries on the TRS Web site once you enroll. You may also file a "Designation of TDA Beneficiary Form" (EN8). Beneficiaries may be changed at any time.

CHANGING JOBS? IT PAYS TO TRANSFER TO TRS

Joining the Teachers' Retirement System after being a member of another retirement system?

With the recent increase in people changing jobs, many new members face the possibility of switching from one retirement system to another. In some cases, you may be eligible to transfer your credited service and funds from your current system to the TRS when you are regularly appointed.

That would be a smart move if you worked in a non-TRS title as a part-time employee or are a member of the Board of Education Retirement System (BERS). It also would be to your advantage if you are a member of another public retirement system in the state or New York City. By transferring, members of other retirement systems retain their original pension tier.

To transfer, simply join the TRS by filing a "TRS Enrollment Application" (EN10) or "TRS Enrollment Application for Para-professionals" (EN56). Your school may have enrollment forms; if not, use the TRS website (see below) or contact your UFT borough office. Once you get a membership number in TRS, contact your previous retirement system in writing and file the necessary forms to have your membership transferred to the TRS. Remember to send all correspondence by certified mail, return receipt

requested, and keep copies for your own records.

If you still have questions about transfer matters, call your UFT borough office and ask to speak to a pension consultant.

Important: If you were formerly in the TRS (i.e., as a para-professional or an appointed pedagogue) and are now no longer appointed or are a part-time employee, you may be eligible to remain in the TRS as a "transferred contributor." To check about your eligibility, contact the TRS. For further information, call a pension adviser at your UFT borough office.

Again, you must file the necessary forms to maintain your status as a "transferred contributor."

NOTE: If you were once a member of any public retirement system in New York State and you lost membership status, you are eligible to reinstate your old membership date/tier. Contact a UFT pension consultant for details.

For further information call the TRS at 1-888-8-NYCTRS, check the TRS Web site at www.trsnyc.org or write to the TRS at 55 Water Street, New York, NY 10041. BERS eligible members may contact BERS at 718-935-5400 or at www.nycbers.org or write to BERS at 65 Court Street, Brooklyn, NY 11201.

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you will be able to transfer your pension credit to the TRS and be covered by the laws pertaining to TRS members. (See "Changing Jobs? It Pays to Transfer" above.) And while you are still working, you will get valuable disability protection and death benefit protection for your beneficiaries.

When you enroll as a Tier VI member in either retirement system, you will get information that summarizes your ben-

efits and describes your responsibilities. Once you join, your required contributions will continue throughout your career. The rate is subject to change each April, based on your salary, but it will always be from 3 to 6 percent of salary. You do not pay federal income taxes on the money you contribute toward your pension until you start collecting a benefit.

The Smart Road *Continued from page 1*

You may make investment changes in the TDA program on a quarterly basis.

NOTE: Newcomers may join the TDA program at any time as long as they are enrolled members of the TRS. Protect your right to participate in TDA as early as possible by filing a TRS enrollment application.

If you are not appointed, you have the option of joining BERS and opening a TDA. We recommend that you do.

Another Retirement Savings Plan Available

UFT members now have another tax-favored retirement savings vehicle. In addition to the TDA, you may use the city's 457 deferred-compensation plan. This plan, available through the city's Office of Labor Relations, is run by the city. To get information you must call: 1-212-306-7760 (1-888-327-3113 outside NYC).



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