

In-service news

A publication of the
Teachers' Retirement System
of the City of New York



TDA Program: Better than Ever

The Tax-Deferred Annuity (TDA) Program is a voluntary retirement plan that enables you to save additional money on a tax-deferred basis. Now more than 40 years old, TRS' TDA Program is an excellent way to supplement your retirement income during your working years. In the past 12 months, we have introduced several new features to make participation more convenient and flexible.

- ✓ Most recently, we introduced a TDA calculator on our website. This handy tool allows you to pick a TDA contribution rate and see the effect it would have on your net take-home pay. If you have a specific dollar amount that you want to contribute, the calculator can convert it to a percentage of your pay, or you can use the calculator to find a contribution rate that allows you to reach your savings goal for the calendar year. The TDA Calculator can be accessed via the **Forms/Tools** section of our website.
- ✓ Earlier this year, the “maximum rate” cap on the percentage of your gross wages that you designate for TDA contributions was eliminated. Now there's no limit to your contribution rate, provided all required deductions such as taxes and pension contributions can still be taken. (However, the Internal Revenue Service's limit on your annual contribution amount still applies; for most members, that limit is \$17,500 in 2014. See page 3 for 2015 limits.)
- ✓ Also in 2014, retirees with TDA loans were given the ability to have their loan payments automatically deducted from their retirement allowance. (See article on page 3.) So if you plan on retiring soon, you may be able to take advantage of this convenience.
- ✓ Last December, we introduced a one-month conversion period for investment election changes. Now you can switch your TDA investments from one Passport Fund to another in less time, if you wish.

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Fall 2014

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Tier VI Members: Purchase Prior Service Credit

Tier VI members of TRS—those who joined after March 31, 2012—can now purchase credit for prior service: service in public employment within New York State that was performed before joining TRS.

Purchasing prior service credit is an important way to increase your Total Service Credit and possibly boost your TRS retirement benefits. You should purchase prior service credit as soon as possible because the purchase cost includes interest that increases over time. Once you have two years of TRS membership service, you can receive credit for prior service.

Below is an overview of the process to claim and then purchase credit for prior service.

- First, log in to the secure section of our website and request a “Record of Prior and/or Transferred Service Form” (code SB146) from TRS. **(Please note you cannot print this form from our website.)**
- Once you receive your “Record of Prior and/or Transferred Service Form,” carefully review the instructions. Enter the types and dates of service and all previous New York State/City public employers. Then return the form to TRS; the former employers you indicated will be contacted to verify your prior service.

- Upon verification of your prior service, TRS will send you a Cost Letter and purchase election form indicating the amount of your eligible prior service, the cost, and the payment options available to you. You would be placed on automatic payroll deductions if you don’t choose an alternative payment method as indicated in your Cost Letter.

Prior Service Credit: Basics for Tier VI Members

- **Eligibility:** Purchase is optional. Service must have been with a public employer within New York State and must meet certain other criteria.
- **Crediting:** Service must be verified by TRS and the former employer. Prior service will be credited to your Total Service Credit after payment is received, and after you have two years of TRS membership service credit.
- **Cost:** The cost will be 6% of your gross pensionable compensation during the time your service was rendered, plus 5% annual interest representing the interest that would have accrued on your pension contributions had you been making them at that time.

For additional information, please refer to the *Service Credit for Tier VI Members* brochure.

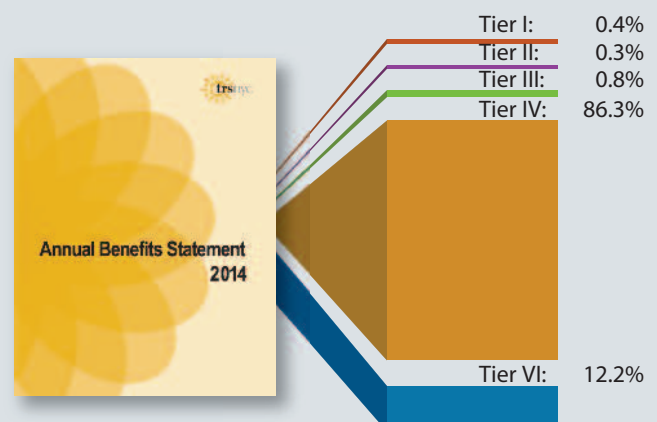
2014 ABS Distributed

Members should have received their 2014 Annual Benefits Statement (ABS) in the mail by early November. The statement is also available for viewing in the secure area of our website.

The ABS reports on service credit, account balances, benefits eligibility, and designated beneficiaries as of June 30, 2014. For some members nearing retirement, the ABS also includes benefit estimates and projections.

TRS prepared the ABS for over 114,000 members who were in active service, or on a leave of absence for less than seven school years, as of June 30, 2014. The graphic at right breaks down this population by tier status. (Note: Members who retired after June 30 would not receive the ABS.)

2014 ABS Distribution by Tier



TRS Prepares to Implement UFT Contract

As you are probably aware, the United Federation of Teachers (UFT) recently ratified a contract agreement with the New York City Department of Education. Among other provisions, the contract will provide retroactive pay increases to UFT members; a \$1,000 signing bonus was also paid.

The additional wages, including the signing bonus, are considered pensionable and could count toward your Final Average Salary (FAS) calculation at retirement. TRS will determine any required pension contributions once we receive updated salary information from the employer.

Our next issue of *In-Service News* (in Spring 2015) should include an update on our implementation of the UFT contract provisions. In the meantime, please check our website's homepage for the latest news available.

TDA: Better than Ever

(Continued from page 1)

There's never a "bad" time to start investing in TDA, but one really good time is right after you receive a salary increase. You can invest the raise (for example, the 2% increase under the new UFT contract) in TDA and not give up any take-home pay. If you haven't yet signed up, TDA enrollment is quick and easy via the secure section of our website. Additional TDA information, including our TDA Program Summary, is available on our website.

TDA Contribution Limits Will Increase in 2015

Every fall the Internal Revenue Service (IRS) determines the maximum amount an individual may contribute during the next year to tax-deferred investment programs such as TRS' TDA Program. The IRS recently announced that the general maximum contribution amount will increase from \$17,500 to \$18,000 in 2015. The limits on "catch-up" contributions for members age 50 and older will also increase from \$5,500 to \$6,000.

The increase in contribution limits will result in an increase in members' Full-Year, Full-Contribution Rates for 2015. Members can see their personalized Full-Year, Full-Contribution Rate for 2015 on their Quarterly Account Statement for the period ending September 30, 2014.

Retirees Can Repay TDA Loans Automatically

One of the many benefits of participation in the Tax-Deferred Annuity (TDA) Program is the ability to take a loan against your TDA account. If you choose to maintain your TDA account after retirement (through TDA Deferral status), you can also continue to maintain TDA loans or take new loans.

Previously, retirees had to repay their loans with direct monthly payments by check. But there is a new, convenient repayment method: automatic

deductions. Now, loan payments can be deducted from a retiree's monthly allowance, just the way they are deducted from an in-service member's paychecks.

If you are a TDA participant and you are nearing retirement, consider electing TDA Deferral status at retirement to maintain your TDA account. For more information about TDA loans or TDA Deferral status, please visit our website.

Investment Results

TRS' six Passport Funds are available to all Tax-Deferred Annuity (TDA) Program participants and to Tiers I/II member Plan (QPP) funds. Tiers III/IV/VI members are credited with 5% interest in their QPP accounts.

Visit TRS' website for more detailed information about the Passport Funds, including the most recent performance data

Annualized Investment Returns

	1 Year 7/1/13 to 6/30/14	3 Years 7/1/11 to 6/30/14	5 Years 7/1/09 to 6/30/14	10 Years 7/1/04 to 6/30/14
Fixed Return Fund (TDA/UFT)*	7.00%	7.00%	7.11%	7.68%
Fixed Return Fund (All others)*	8.25%	8.25%	8.25%	8.25%
Diversified Equity Fund	23.56%	14.58%	17.51%	7.76%
Bond Fund**	1.60%	N/A	N/A	N/A
International Equity Fund***	21.78%	7.59%	12.86%	N/A
Inflation Protection Fund***	11.29%	6.55%	9.85%	N/A
Socially Responsive Equity Fund***	23.11%	13.70%	17.79%	N/A

* Fixed Return Fund

QPP: Tiers I/II members are credited with 8.25% annually on QPP investments in the Fixed Return Fund; this rate has been in effect since July 1, 1988.

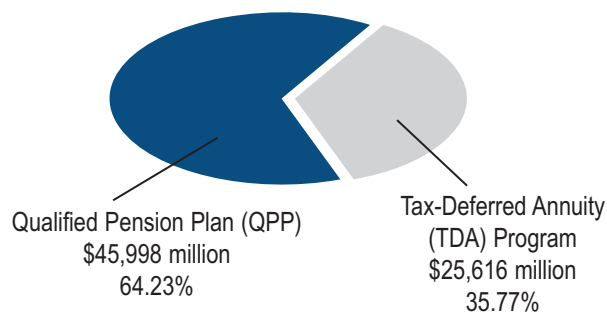
TDA: Members who are serving in (or resigned/retired from) UFT-represented positions are credited with 7% annually on TDA investments in the Fixed Return Fund. This rate has been in effect since December 11, 2009; the previous rate was 8.25%. All other members are credited with 8.25% annually on TDA investments in the Fund; this rate has been in effect since July 1, 1988.

** Annualized investment performance is only available for the one-year period because the Fund began on January 1, 2012.

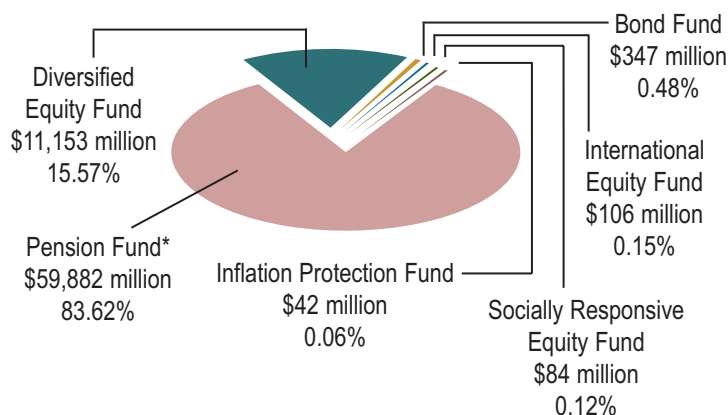
*** Annualized investment performance is only available for the one-, three- and five-year periods because the Fund began in July 2008. For approximations of annualized performance for other periods, see the *Fund Profiles* booklet on our website.

Total Investment

BY PLAN
\$71.614 Billion



BY FUND
\$71.614 Billion



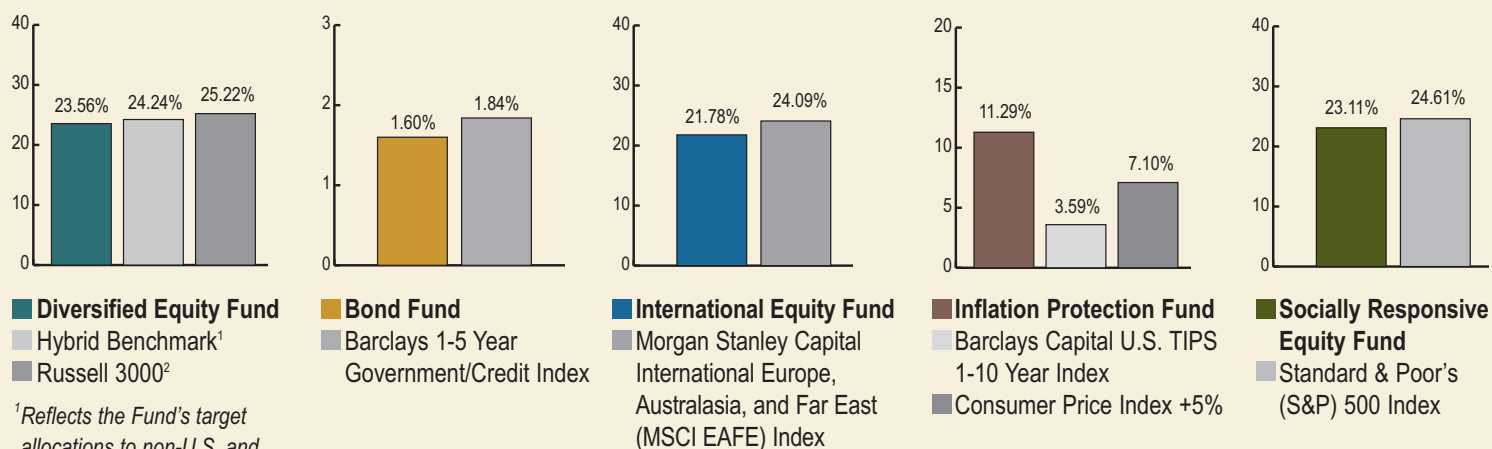
* Includes all QPP and TDA funds in the Fixed Return Fund and all Tiers III/IV/VI QPP funds.

as of June 30, 2014

ers for the Annuity Savings Fund (ASF) and Increased-Take-Home Pay (ITHP) portions of their Qualified Pension

for each fund. You may also access our latest *Fund Profiles* booklet.

Passport Funds: One-Year Return vs. Benchmarks

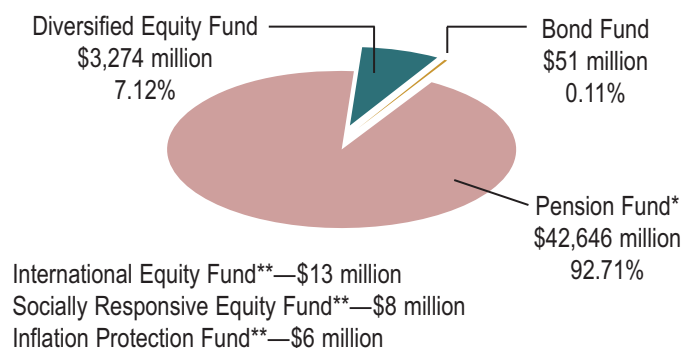


The **Fixed Return Fund** provides a fixed rate of return, determined by the New York State Legislature in accordance with applicable laws. As such, the Fund has no benchmark. See note on page 4 for information on the rates that are credited to investments in the Fixed Return Fund.

Note: TRS performance figures are shown net of fees.

nts (Unaudited)

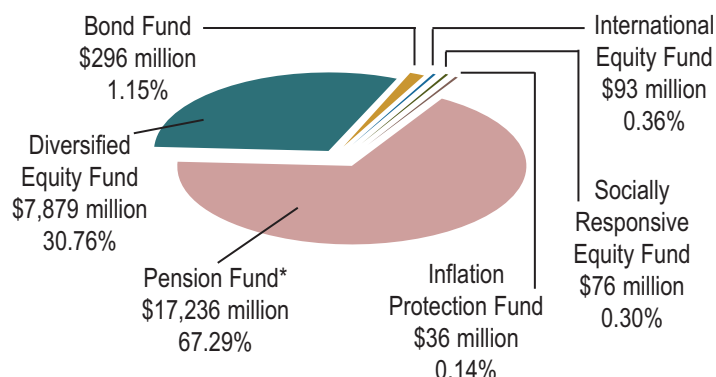
TOTAL QPP INVESTMENTS \$45.998 Billion



* Includes all Tiers I/II QPP funds in the Fixed Return Fund and all Tiers III/IV/VI QPP funds.

** Not shown in chart because the collective value is less than 0.01%

TOTAL TDA INVESTMENTS \$25.616 Billion



* Includes all TDA funds in the Fixed Return Fund.

Making Sense of Units and Unit Values

Participants in TRS' Tax-Deferred Annuity (TDA) Program know that their TDA contributions are invested in one or more of TRS' Passport Funds. (Tier I and Tier II members also have the same investment options for their pension contributions.) You may be aware that all but one of the Passport Funds are considered "variable-return" funds, meaning that their value fluctuates according to investment performance. If you've invested in those variable-return funds, your account has a certain number of units, whose value changes every month.

Below are some Frequently Asked Questions (FAQs) that should help you understand more about units and unit values and the role they play concerning your TRS retirement accounts.

Q: *What are units?*

A: Units of TRS Passport Funds are comparable to shares in mutual funds. TRS members who invest contributions in the variable-return Passport Funds purchase units with their contributions.

Q: *What are unit values?*

A: Unit values are the dollar values that are attributed to units in each of the variable-return Passport Funds on a monthly basis. The unit values are based on each portfolio's closing market value as of the end of the preceding month.

Q: *How do unit values affect my account balance?*

A: The unit values reflect how much a unit in each Passport Fund is worth in a specific month; these values fluctuate from month to month. Therefore, your fund account balance(s) would also vary each month. If unit values go up, your units would be worth more, and your account would generally increase. If unit values go down, your units would be worth less, and your account would generally decrease.

Here's a simplified example: If you invest \$100 in March and the unit value is \$25, you have purchased 4 units. If the unit value increases to \$26 in April,

those 4 units would now be worth \$104. Keep in mind that additional contributions, loans, and other account activity would also affect the number of units and your account balances. In addition, TRS increases the number of units slightly each month.

Q: *How can I find out the current unit values?*

A: New unit values are usually announced by the third week of each month. A news bulletin on our website announces when the new unit values are available, and the current unit values are always available from the homepage of our site.

Current unit values are also available on our phone system. Members who are interested in past unit values can access this information in the **Investments** section of our website.

Q: *How are the monthly unit values for the variable-return Passport Funds determined?*

A: For each of the variable-return Passport Funds, TRS takes the following steps to calculate the monthly unit value:

- Multiplies the preceding month's unit value by the monthly net change in the value of the fund's portfolio; and
- Discounts the amount by .3274% to offset the 4% annual increase in the number of units that participants receive.

Q: *What determines the number of units that a member has?*

A: For members who invest their contributions in a variable-return Passport Fund, the contributions will purchase a certain number of units, based on the unit value in effect at that time for the Funds. Similarly, when a member reallocates investments out of one of the Funds, units are "sold" or "redeemed" based on the unit value in effect at that time. After transactions are applied to the previous month's total, TRS increases the number of units by .3274% (or 4% annually).

Thinking About Retiring Soon?



Many TRS members file for retirement at the end of the school year. However, it's never too early to start planning, especially if you have a retirement date in mind. Below are a few important steps to help you get organized.

- Review your service credit as soon as possible to make sure that you're eligible to retire under the plan you want
- Decide what to do with your TDA funds
- Choose a payment option for your retirement allowance (and determine whom you will designate as your beneficiaries)
- Consider taking a loan at the time you retire or, if applicable, an excess withdrawal

- Complete a service retirement application and meet with a TRS Member Services Representative

We realize that planning for retirement can be overwhelming, and understanding the process may help. That's why we offer informative education sessions throughout the year about your TRS benefits and services. If you're nearing your retirement date, you might especially want to consider attending one of our upcoming pre-retirement programs. Attendance is based on your tier and the sessions listed below are currently available. (Be sure to visit our website periodically to check for availability.) All classes are presented at TRS, in lower Manhattan at 55 Water Street.

Upcoming Programs for December 2014 - February 2015

"Getting Ready for Retirement"

9:30 a.m. to 1:30 p.m.

Tier I • Thursday, February 19

Tier II • Friday, February 20

Tier IV • Sunday, December 14

• Monday, December 29

• Tuesday, December 30

• Friday, January 2

• Tuesday, February 17

• Wednesday, February 18

To sign up for a session, **log in to the secure area of our website**. Alternatively, you may contact TRS or fill out the registration form below and mail it (postmarked by December 1, 2014) to TRS, **Attn: Member Education**. TRS will send you confirmation prior to your attending. We hope you'll take full advantage of the pre-retirement programs available to you—you've earned it!

Registration Form for TRS' Education Programs

Name: _____

TRS Membership Number: **00T** _____

Address: _____

Phone Number: _____

Email address (Please Print): _____

Please indicate a second choice of date, if available.

Please note that spaces are limited for education programs.

I would like to attend:

"Getting Ready for Retirement"

Tier I ☐

Tier II ☐

Tier IV ☐

on _____ (date of your 1st choice)

OR _____ (date of your 2nd choice).



Publications

The following TRS publications are new or have been updated since our last issue. For your convenience, forms and publications are available on our website:

- *Common Retirement Questions* brochure
- *Fund Profiles*
- *Service Credit for Tier VI Members* brochure
- *Service Retirement Plans and Benefits for Tiers III/IV* brochure
- *Service Retirement Plans and Benefits for Tier VI* brochure
- *TDA Loans* brochure
- *TRS Membership for CUNY Employees*
- *Your TRS Benefits in Brief*
(Note: There are separate versions for Tier IV and Tier VI.)

Calendar

January 1, 2015: Effective date of investment election changes received by December 1, 2014.

January 31, 2015: Expected distribution of 1099 forms for any distributions made from members' TRS accounts in 2014.

February 2015: Distribution of Quarterly Account Statements for the fourth quarter of 2014.

April 1, 2015: Effective date of investment election changes received by March 1, 2015.

Please remember that TRS' offices will be closed on the official New York City holidays occurring **December 25, 2014**, and **January 1, January 19**, and **February 16, 2015**.



TRS has expanded our website's Publications section to include archives of some of our most important publications. Issues of In-Service News for the past five years are now available online.

