

Tier 6 Basic Plan Fact Sheet



NYC EMPLOYEES'
RETIREMENT SYSTEM

Tier 6

September 2024

Chapter 18 of the Laws of 2012, which established Tier 6, amends the retirement benefits of public employees who establish membership in a public employee retirement system **on or after April 1, 2012**. This fact sheet provides answers to frequently asked questions about the obligations and benefits provided to members of a Tier 6 Basic Plan. In the event of a conflict between the information provided in this fact sheet and any provision of Chapter 18 and/or applicable law, the provisions of Chapter 18 and/or applicable law shall govern.

Who is a Tier 6 member?

A Tier 6 member is someone who joins the New York City Employees' Retirement System (NYCERS) on or after April 1, 2012, except:

- Members of the Uniformed Force of the NYC Department of Correction
- Members of the Uniformed Force of the NYC Department of Sanitation
- Investigators employed in a District Attorney's Office

If I am employed as a member of the Uniformed Correction Force, Uniformed Sanitation Force, or as a District Attorney Investigator, am I a Tier 6 member if I join NYCERS on or after April 1, 2012?

No. You will be in a Tier 3 22-Year Plan. (See the [22-Year Plan Fact Sheet #720](#) for more information.)

If I was a member of a public retirement system in New York City or New York State before April 1, 2012 and that membership has been terminated, can I be reinstated to an earlier tier?

Yes, provided that you meet the eligibility requirements of the "tier reinstatement" law which, among other things, requires that you repay any contributions refunded to you when your membership was terminated (if any) plus 5% compounded interest from the date of the refund to the date of payment. (See the [Membership Reinstatement Brochure #905](#) for more information.)

If I am employed in a special occupational title, e.g., New York City Transit Bus Operator, Train Conductor, Emergency Medical Technician, Special Peace Officer, etc., am I a Tier 6 member if I join NYCERS on or after April 1, 2012?

Yes. However, you will not be a participant in the Tier 6 Basic Plan; you will be a participant in a special plan for your title which permits early service retirement based on age and/or service requirements. These special plans have provisions relating to contributions, vesting requirements, and benefit calculations. (See the [Tier 6 Special Plan Fact Sheet #719](#) for more information.)

I am employed in a physically taxing title. Am I eligible for participation in a Tier 6 Special Plan, allowing early retirement?

No. The Tier 6 law eliminated the Tier 4 55/25 and 57/5 Plans, which provided early retirement for members employed in physically taxing titles. Members in physically taxing titles who joined NYCERS on or after April 1, 2012 are participants in the Tier 6 Basic Plan.

How much do I have to contribute as a Tier 6 member?

Tier 6 Basic Plan members who joined NYCERS between April 1, 2012 and March 31, 2013 are required

Tier 6 Basic Plan Fact Sheet #718 – Page 1 of 5



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to contribute Basic Member Contributions (BMCs) equal to 3% of gross wages. Beginning April 1, 2013, the contribution rate for all Tier 6 Basic Plan members is dependent upon annual wages* earned during a “plan year” according to the schedule in the table on page 2.

*Chapter 56 of the Laws of 2022 (Budget Bill: Part SS), effective April 1, 2022, excludes pensionable earnings above the annual base wages, such as overtime payments, for purposes of calculating Basic Member Contribution (BMC) rates for the period of 4/1/22 through 12/31/24.

Basic Plan Member Contribution Table:

| Annual Wages Earned During Plan Year | Contribution Rate |
|--------------------------------------|-------------------|
| Up to \$45,000 | 3% |
| \$45,001 to \$55,000 | 3.5% |
| \$55,001 to \$75,000 | 4.5% |
| \$75,001 to \$100,000 | 5.75% |
| Greater than \$100,000 | 6% |

If you joined NYCERS prior to November 20, 2015, a **plan year** was defined as the period from April 1st to March 31st. During the first three plan years of membership (or the first three plan years beginning 4/1/13 if you joined NYCERS between 4/1/12 and 3/31/13), NYCERS uses a projection of your annual wages to determine your BMC rate (Projected Wage Method). For your fourth plan year and each plan year thereafter, NYCERS uses your gross wages earned two plan years prior to determine your BMC rate (Actual Wage Method).

Chapter 510 of the laws of 2015, signed on November 20, 2015, changed the plan year definition to a calendar year (January 1st to December 31st). For that reason, if your membership date falls between 4/1/12 and 3/31/14, the Actual Wage Method will be applied for the plan year 1/1/17-12/31/17. The chart below illustrates the application of each method based on hypothetical wages.

| PROJECTED WAGE METHOD (FIRST 3 PLAN YEARS ONLY) | | | |
|---|-------------------------------|-------------------------------|-------------------------------|
| | 1st Plan Year | 2nd Plan Year | 3rd Plan Year |
| Projected Annual Salary | \$70,000 | \$70,000 | \$70,000 |
| Rate Based on Projected Annual Salary | 4.5% | 4.5% | 4.5% |
| Actual Wages Earned in Plan Year | \$72,000 | \$72,500 | \$76,000 |
| Contributions Made in Plan Year | \$3,240 (4.5% of \$72,000) | \$3,263 (4.5% of \$72,500) | \$3,420 (4.5% of \$76,000) |

| ACTUAL WAGE METHOD (4TH PLAN YEAR AND THEREAFTER) | | |
|---|-------------------------------|--------------------------------|
| | 4th Plan Year | 5th Plan Year |
| Actual Wages Earned in Plan Year | \$80,000 | \$82,500 |
| Rate Based on Actual Wages Earned Two Plan Years Prior to the Current Plan Year | 4.5% | 5.75% |
| Contributions Made in Plan Year | \$3,600 (4.5% of \$80,000) | \$4,744 (5.75% of \$82,500) |



What is Credited Service?

In general, Credited Service is service rendered while a NYCERS member, previous public service or military service that was purchased, and service transferred from another public retirement system in New York City or New York State to NYCERS.

How long do I have to make contributions?

Tier 6 Basic Plan members must contribute until they separate from City service or until they retire.

When can I retire under the Tier 6 Basic Plan?

Tier 6 Basic Plan members must have a minimum of five years of Credited Service and be at least age 63 to retire and collect an unreduced Service Retirement Benefit.

Can I retire earlier than age 63 under the Tier 6 Basic Plan?

Tier 6 Basic Plan members may retire as early as age 55 with at least five years of Credited Service provided that they file their service retirement application while still on active payroll. However, early retirement carries a penalty of a permanent reduction in your retirement benefit at a rate of 6.5% for each year that you have retired prior to age 63. The following table illustrates the benefit reduction for retirement between ages 55-63.

| Age At Retirement | Benefit Reduction |
|-------------------|-------------------|
| 63 | None |
| 62 | 6.5% |
| 61 | 13% |
| 60 | 19.5% |
| 59 | 26% |
| 58 | 32.5% |
| 57 | 39% |
| 56 | 45.5% |
| 55 | 52% |

What happens if I leave City service before I'm eligible to retire?

If you have at least five years of Credited Service your pension vests automatically, which means you can collect a Vested Retirement Benefit at age 63. If you have less than 10 years of Credited Service, you may request a refund of your contributions, plus 5% compounded interest. If you have less than five years of service, you may leave your contributions on deposit with NYCERS for a period of five years. If you have less than five years of service and do not return to active service within those five years, your NYCERS membership will be terminated. This scenario is commonly referred to as a "five-year out."

How is my Service/Vested Retirement Benefit calculated?

The Service/Vested Retirement Benefit payable under the Tier 6 Basic Plan is calculated as follows:

- For a Participant with less than 20 years of Credited Service:
1.67% *times* Final Average Salary (FAS) *times* years of Credited Service
- For a Participant with 20 or more years of Credited Service:
35% *times* FAS for the first 20 years of Credited Service; **plus**
2% *times* each year of Credited Service in excess of 20

Tier 6 Basic Plan Fact Sheet #718 – Page 3 of 5



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How is my Final Average Salary (FAS) calculated?

Effective April 20, 2024, FAS is defined as the average of wages earned by a member during any three consecutive years which provide the highest average wage. However, wages earned during any year used in an FAS calculation cannot exceed the average of the previous four years by more than 10 percent. Prior to April 20, 2024, FAS of any five consecutive years cannot exceed the average of the previous four years by more than 10 percent. If you are retiring under Service/Vested retirement with less than nine years of service prior to April 20, 2024, or less than seven years of service from April 20, 2024 and after, your FAS will include projected earnings to fill in any missing years of service.

Are all wages included in the FAS calculation?

No. The Tier 6 definition of wages includes an “overtime ceiling,” which limits overtime compensation for pension purposes. An overtime ceiling of \$15,000 was established as of April 1, 2012 for Tier 6 members, and by law may escalate annually based on the increase in the Consumer Price Index (CPI-U) published by the United States Bureau of Labor Statistics. The overtime ceiling effective January 1, 2024 is \$20,459. Any overtime compensation earned in excess of the overtime ceiling is excluded from the FAS calculation. Overtime compensation is compensation paid at a rate greater than the standard rate.

The definition of wages excludes:

1. Wages in excess of the annual salary paid to the Governor of the State of New York (\$250,000 for 2024);
2. Lump sum payments for deferred compensation, sick leave, accumulated vacation or other credits for time not worked;
3. Any form of termination pay;
4. Any additional compensation paid in anticipation of retirement; and
5. In the case of employees who receive wages from three or more employers in a 12-month period, the wages paid by the third and each additional employer.

If I do not join NYCERS immediately after my employment, can I purchase (buy back) my pre-membership service and, if so, how much will it cost me?

You may purchase previous public service rendered anywhere in New York City or New York State. The cost is 6% of the wages earned during the period you are buying back, plus 5% interest compounded annually from the date of your previous service until the date of payment.

I served in the U.S. Military prior to my NYCERS membership. Can I purchase my military service?

Yes, if you meet the eligibility criteria specified in Article 20 of the New York State Retirement and Social Security Law (RSSL). The cost to purchase military service under Article 20 of the RSSL is 6% *times* the number of years of military service being purchased *times* the salary you earned during the 12 months prior to the date of your application. Interest is not factored into the cost.

If I die while in active service, what type of death benefit would my beneficiary/beneficiaries receive?

In the event of your death prior to retirement, there are two primary types of death benefits:

- An Ordinary Death Benefit (ODB) payable to your designated beneficiary/beneficiaries or Estate.
- An Accidental Death Benefit (ADB) should your death be the result of an on-the-job accident not caused by your own negligence. This benefit is payable to eligible beneficiaries defined by law.



What happens if I leave City Service and die prior to retirement?

You may be entitled to a Vested Death Benefit.

If you have at least 10 or more years of Credited Service, and die prior to your payability date, a lump-sum death benefit will be paid to your designated beneficiary/beneficiaries or Estate if no beneficiary was designated.

If you did not render 10 or more years of Credited Service, only the return of your contributions will be made payable to your Estate.

For more information, please refer to the Tier 6 Summary Plan Description (SPD) on nycers.org.

