

63/5 Retirement Plan (Tier 6 Basic Plan)



NYC EMPLOYEES'
RETIREMENT SYSTEM

Tier 6

March 2025

This brochure describes the obligations and benefits of the 63/5 Retirement Plan for Tier 6 members. The 63/5 Retirement Plan, also referred to as the Tier 6 Basic Plan, allows participants to retire with an unreduced pension at age 63 with at least five years of Credited Service. Participants with five or more years of Credited Service may retire with a reduced pension earlier than age 63 but no earlier than age 55 (see the Early Service Retirement section).

Participation

Participation in this plan is for any employee of the City of New York or a Participating Employer who joins NYCERS on or after April 1, 2012 and is not a participant in the 22-Year Plan or a Tier 6 Special Plan.

Basic Member Contributions (BMCs)

Tier 6 members who joined NYCERS between April 1, 2012 and March 31, 2013 are required to contribute BMCs of 3% of gross wages until the new contribution structure takes effect on April 1, 2013. Beginning April 1, 2013, the BMC rate for all Tier 6 members is dependent upon annual wages* earned during a plan year according to the schedule in the table below.

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 a member 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 the member joined NYCERS between 4/1/12 and 3/31/13),

NYCERS uses a projection of their annual wages to determine their BMC rate (Projected Wage Method). For the member's fourth plan year and each plan year thereafter, NYCERS uses their gross wages earned two plan years prior to determine their 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 (1/1 to 12/31). For that reason, if the member's 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. See the last page for a chart illustrating the application of each method based on hypothetical wages.

BMCs are held in the Member Contribution Accumulation Fund (MCAF) and must be paid until the member separates from City service or retires. BMCs are not required on **non-pensionable** earnings (see wage exclusions in Final Average Salary section).

BMCs earn interest at a rate of 5%, compounded annually, and are Federal tax-deferred, meaning that members do not pay Federal taxes on the contributions, only New York State and local taxes. Note, however, that contributions made while on Union Leave are **not** Federal tax-deferred.

*Chapter 56 of the Laws of 2022 (Budget Bill: Part SS), as amended by Chapter 55 of the Laws of 2024 (Part KK), excludes pensionable earnings above the annual base wages, such as overtime payments, for purposes of calculating



BMC rates for the period of 4/1/22 through 12/31/26.

Buy-Back

63/5 Plan participants 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 they are buying back, plus 5% interest compounded annually from the date of their previous service until the date of payment.

Military Buy-Back

Federal and state laws allow members to purchase service credit for time spent in U.S. Military service – the Uniformed Services Employment and Reemployment Rights Act (USERRA) and Article 20 of the New York State Retirement and Social Security Law (RSSL), respectively. Under USERRA, the cost is the equivalent of the contributions required if they had never left for military service. Under Article 20, the cost is 6% *times* the number of years of military service being purchased *times* the salary they earned during the 12 months prior to the date of their application. No interest is charged on military buy-back.

Deficits

Failure to pay any of the required contributions will result in a deficit in the MCAF (for BMCs). If the deficit is identified prior to retirement, NYCERS will notify the participant so they can resolve the deficit.

If there is an unresolved BMC deficit at retirement in the MCAF, NYCERS will notify the participant of the choice to either pay the deficit in full or apply an actuarial reduction (a lifetime reduction to their pension based on their deficit amount) to resolve the deficit. Unpaid deficits may also impact disability and death benefits.

Loans

63/5 Plan participants may borrow up to 75% of the BMCs held in the MCAF account. Any loans taken are subject to terms and conditions governing loans applicable to Tier 6 members. Please consult [Loan Brochure #911](#) for information.

Refunds

63/5 Plan participants who have rendered less than 10 years of Credited Service and who leave City service may apply for a refund of BMCs, plus accrued interest, effectively terminating their membership. Participants with between 5 and 10 years of Credited Service must also waive their right to a Vested Retirement Benefit. Refunds will be reduced by the present value of any loan. Refunds of BMCs are not possible for participants with 10 or more years of Credited Service, except in cases of a participant's death.

Participants must be **off payroll** for thirty (30) or more days to qualify for a refund. If their agency records indicate that they are on a leave of absence with or without pay, they are **not** eligible for a refund.

Withdrawal of BMCs will trigger a Federal tax liability and may result in an early distribution tax penalty.

If a participant does not return to City service within five years and has rendered less than five years of Credited Service, their membership is automatically terminated and they may need to withdraw their contributions.

Vested Retirement Benefit

Effective April 9, 2022, if a participant leaves City service with five or more years of Credited Service, at least two years of which are Membership Service, they are entitled to a Vested Retirement Benefit at age 63. The Vested Retirement Benefit is computed in



the same manner as the Service Retirement Benefit specified below. Prior to April 9, 2022, participants needed at least 10 years (two of which must be Membership Service) in order to be entitled to a Vested Retirement Benefit.

Service Retirement Benefit

Participants in the 63/5 Plan who have five or more years of Credited Service, at least two years of which are Membership Service, are eligible to receive a Service Retirement Benefit at age 63.

The Service Retirement Benefit payable under the 63/5 Plan is calculated as follows:

For a participant with **less than 20 years** of Credited Service:

1 $\frac{2}{3}$ % *times* Final Average Salary (FAS)
times years of Credited Service

For a participant with **20 or more years** of Credited Service:

35% of FAS for the first 20 years of Credited Service, plus 2% *times* FAS *times* each year of Credited Service in excess of 20

Final Average Salary (FAS)

Effective April 20, 2024, FAS for Tier 6 members is defined as the average of wages earned by a member during any three consecutive years which provide the highest average wage. However, due to a provision in law referred to as the Kingston Limitation, wages earned during any year used in an FAS calculation cannot exceed the average of the wages earned during the previous four years by more than 10%. Prior to April 20, 2024, the FAS was defined as the average of wages earned by a member during any five consecutive years which provided the highest average wage with the same Kingston Limitation as described above.

If a member is retiring under service or 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, their FAS will include projected earnings to fill in any missing years of service.

Some wages are excluded from the FAS calculation. The Tier 6 definition of wages includes an “overtime ceiling,” which limits overtime compensation for pension purposes according to the Consumer Price Index. 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 also excludes:

1. Wages in excess of the annual salary paid to the Governor of the State of New York;
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 successive employer.

Early Service Retirement

Participants in the 63/5 Plan 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 in active payroll status. However, early retirement carries a penalty of a permanent reduction in a participant’s retirement benefit at a rate of 6.5% for each year (or a proration thereof) that a participant retires prior to age 63.



The following table shows the percentage reduction for various ages:

Age Reduction Table	
Age Payment Begins	Percentage of Benefit Reduction
63	None
62	6.5%
61	13%
60	19.5%
59	26%
58	32.5%
57	39%
56	45.5%
55	52%

Participants who have left City service prior to age 55 cannot collect an early Vested Retirement Benefit with the penalty, but must wait until age 63 to collect.

Disability Retirement

Tier 6 members are eligible for a Disability Retirement benefit at any age if they have 10 or more years of Credited Service and NYCERS' Medical Board determines that they are physically or mentally incapacitated to perform their job duties and were so incapacitated at the time that they ceased performance of their duties.

If they have less than 10 years of Credited Service, they are eligible to receive a Disability Retirement Benefit if NYCERS' Medical Board determines that they are physically or mentally incapacitated to perform their job duties AND their disability is the result of an accidental injury sustained in the performance of their duties, and not caused by their own willful negligence.

The Disability Retirement Benefit is equal to the greater of:

- $\frac{1}{3}$ of the member's FAS; **or**

- $1\frac{2}{3}\%$ times FAS times years of Credited Service; **or**
- If they are eligible for a service retirement, their Service Retirement Benefit.

Survivor Benefits

In the event of a participant's death prior to retirement, their NYCERS membership entitles their beneficiaries to a death benefit. There are two primary types of death benefits – Ordinary Death Benefits and Accidental Death Benefits.

An Ordinary Death Benefit (ODB) is a lump-sum benefit payable to the participant's beneficiary/beneficiaries if they die while in active service, before retirement, whether or not death occurs as the result of an accident sustained on the job.

An ODB will be paid only if:

- a) The participant was being paid on payroll at the time of their death; **or**
 - b) They were off payroll or they were on an authorized leave without pay at the time of their death; **and**
 1. They were on payroll, in service, and paid within the last 12 months before death; **and**
 2. They were not gainfully employed since last on the payroll; **and**
 3. They had credit for one or more years of continuous service since they last entered the service of their employer.
- or**
- c) Effective October 1, 2000, the participant was on an authorized leave of absence without pay for medical reasons which has continuously been in effect since the participant was last paid on the payroll, provided the participant was in service and last paid on the payroll within the four-year period prior to the participant's death.



The ODB payable is a multiplication of the participant's yearly salary as indicated below:

- If they have at least one, but less than two years of service, a lump-sum benefit equal to one year's current salary
- If they have at least two, but less than three years of service, a lump-sum benefit equal to two times current salary
- If they have at least three years of service, a lump-sum benefit equal to three times current salary.

The benefit is reduced for each year a participant remains in active service beyond age 60.

Their beneficiary/beneficiaries will also receive a refund of their BMCs plus earned interest.

If the participant has at least 10 years of Credited Service, is awaiting payability of a Vested Retirement Benefit, and dies prior to age 63, their beneficiaries will receive a lump-sum death

benefit based on 50% of the ODB that would have been payable if the participant had died on their last day in active service, plus the refund of their BMCs plus interest.

If the participant did not render 10 or more years of Credited Service, only the return of their contributions in the MCAF, plus interest, will be payable to the participant's Estate.

An Accidental Death Benefit (ADB) is payable to Eligible Beneficiaries, who are defined in law, if NYCERS' Medical Board determines that the participant's death was the result of an accident sustained in the performance of their duty, not caused by their own negligence, or while in military duty.

The annual benefit equals 50% of the wages the participant earned during their last year of service, or their annual wage rate if they had less than one year of service. Their BMCs are not refunded to the beneficiaries.

Projected Wage Method (First 3 Plan Years Only)			
	1 st Plan Year	2 nd Plan Year	3 rd 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 (4 th Plan Year and Thereafter)			
	4 th Plan Year	5 th 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)	

