



MTA Defined Benefit Pension Plan

For Certain Metro North
Employees

Important Membership Dates

- Credited service is for service rendered on or after January 1, 1983, based on your date of hire at Metro-North.
- This MTA DB Plan presentation applies to members of TCU, TCU-TC, IAM, IBEW, IBEW Supervisors, NCF&O, SMW, TWU, TWU Service Workers, ARSA MofE, ARSA MofW.

Your Contributions

- Participants in the New Program will have an effective contribution date of October 1, 2005, or on your date of hire, whichever is later.
- You must contribute 3% of your gross earning until January 1, 2017.
- Contributions are made on a pre-tax basis for Federal tax purposes.

How you will be contributing

- 3% effective October 1, 2005, or on your date of hire, whichever is later.
- For example: you have been an employee of Metro North since 2004, therefore you will be charged contributions from October 1, 2005, and your contributions will cease on January 1, 2017.

You won't lose your contributions

- If you terminate service prior to vesting, your contributions + interest will be returned to you.
- Did you know that all retirees, within 18 to 24 months, will have received a pension equal to or greater than their contributions during their membership.

Special Provision - Opt-Out Option

- There is a one time irrevocable option for all current employees to opt-out of participation in the MTA Defined Benefit Pension Plan.
- You must file a form (supplied by MN) with Metro-North Human Resources Department.
- You must take this action within forty-five (45) days of final ratification.

Overtime earnings

- All overtime earnings are pensionable.

How Service Counts

- A full year consists of 2,080 hours or 260 compensated days.
- “95%” rule (on the payroll for a minimum of 1,976 hours in a year, employee will receive one full year’s credit).
- If employee is paid for less than 1,976 hours in a year, credit will be given for a fraction of the year by dividing the number of hours by 2,080.
- In most instances, pension credit is not given for leaves of absence without pay, or for any period of time during which you do not receive wages.

Vesting

- Vesting means you are eligible to receive an MTA DB plan benefit upon attainment of retirement age.
- You become “vested” with 5 or more years of credited service.

Military Service

- You may be eligible to receive credit for time served during specific military conflicts providing:
 - You were honorably discharged (DD-214).
 - You have at least five years of credited service in the Retirement System to receive military service credit.
 - You must not have received credit for this service in any other public retirement system in New York State.
 - Your military service was prior to your MN employment.

Military Service

- You must apply to purchase credit for military service prior to retirement.
- The cost to purchase military service is 3% of your salary for the 12 months preceding the date you file your application for military service credit.
- The maximum amount of military service you may purchase is 3 years.
- Methods to purchase military service:
 1. Direct rollover from 457 Plan
 2. After-tax payroll deductions for up to 3 years
 3. Lump sum payment

Retirement Eligibility

- Employees are eligible to receive an unreduced retirement benefit when they satisfy one of the following requirements:
 - Age 62 and 5 or more years of service.
 - Age 55 and at least 30 years of service.
 - Age 60 (on or before June 15, 2010), and 5 or more years of service.

Early Retirement

- If you have 10 or more years of credited service, you may apply for a reduced retirement benefit between the ages of 55 and 62. The percent of benefit payable upon early retirement depends upon your age:

<u>Age at Retirement</u>	<u>Percent of Normal Retirement Payable</u>	<u>Temporary Incentive</u>
62	100%	100%
61	94%	100%
60	88%	100%
59	85%	97%
58	82%	94%
57	79%	91%
56	76%	88%
55	73%	85%

What makes up your retirement benefit

- Your MTA DB plan retirement has 2 components:
 1. your total credited service
 2. your final average salary (FAS)
- Total Credited Service X FAS = MTA DB plan benefit*

* Offsets will apply

Plan benefit formulas

- Less than 20 years of credited service
1.67% X Credited Service X FAS
- 20 up to 30 years of credited service
2.0% X Credited Service X FAS
- More than 30 years of credited service
2.0% X 30 years of credited service X FAS
plus
1.5% X credited service for years >30 X FAS

How service counts

Number of Years
Of Credited Service

Benefits as a
Percentage of your FAS

18	= 30%
19	= 32%
20	= 40%
22	= 44%
25	= 50%
30	= 60%
32	= 63%
35	= 67½%

Service

- You may not receive more than 1 year of pension credit in any calendar year.
- For example: If you work overtime in excess of the hours required for 1 year, you will only receive 1 year of pension credit.

Final Average Salary (FAS)

- FAS is the average of the highest three consecutive years in your last 10 years prior to retirement.
- Earnings in any year included in the period cannot exceed the average of the previous two years by more than 10 percent. Any amount in excess of this will be excluded. This is called “look back”.
- If your FAS includes your last three years’ earnings and your last year includes payment for unused sick leave and/or vacation, up to 30 days of this payment will be included in your FAS.

How your FAS is calculated

Earnings

■ 2007	2006	2005	2004	2003
\$65,000	\$63,000	\$61,100	\$59,275	\$57,500

FAS

- If you are retiring as of January 1, 2008, the MTA DB Plan will use:
 - 2007 Earnings - as the first year
 - 2006 Earnings - as the second year
 - 2005 Earnings - as the third year.
- In order to get the average of the previous 2 years for the third year, the MTA DB must look at your compensation in 2004 and 2003 – this is called “**look-back**”

FAS

- For 2005, we will use the **\$58,387** the average of the previous two years (2004 & 2003), multiplied by 110% to equal **\$64,225**. We will use \$61,100 in the FAS.
- For 2006, we will use **\$60,187** the average of the previous two years (2005 & 2004) multiplied by 110% to **\$66,205**. We will use \$63,000 in the FAS.

FAS

- For 2007, we will use **\$62,050**, the average of the previous two years (2006 & 2005), multiplied by 110% to equal **\$68,255**.

We will use \$65,000 in the FAS.

- 2007 salary \$65,000
- 2006 salary \$63,000
- 2005 salary \$61,100

\$189,100 divided by 3 = \$63,033

- The FAS for this retiree is **\$63,033**

Railroad Retirement Board Offset

- The amount of the Railroad Retirement Board Tier II benefit will be “offset” from your MTA DB pension.
- The Tier II offset will be determined based on your MN service divided by your total Railroad Service.
- The amount of the Railroad Retirement Board Pension is calculated by the RRB and provided to MTA DB.

Calculations/Early Retirement Incentive

- 24 years of credited service at age 60 Retirement **Benefit prior to Tier II off-set**

\$63,033 - Final Average Salary

x 2% - Service Fraction up to 30 years

x 24 - Years of Credited Service

\$30,256 - Annual Benefit

x 1.00 - Early Retirement Factor

\$30,256 - Annual Benefit (prior to off-set)

Calculations/Early Retirement Incentive

- 24 years of credited service at age 60

Retirement Benefit at age 62 when Tier II is payable

\$30,256 - Annual Benefit

- 4,400 - Tier II Benefit (MN Service Only)

\$25,856 - Annual Benefit

Calculations/Early Retirement Incentive

30 years of service at age 58

Prior to Tier II off-set

\$63,033 - Final Average Salary

x 2 % - Service fraction up to 30 Years

X 30 - Years of Credited Service

\$37,819 - Annual Benefit

x 1.00 - Early Retirement Factor

\$37,819 - Annual Benefit (prior to Tier II off-set)

Calculations/Early Retirement Incentive

- 30 years of service at age 58

Benefit at age 60 when Tier II is payable

\$37,819 – Annual benefit

- 12,000 – Tier II benefit (MN service only)

\$25,819 - Annual benefit

How benefits are paid

- MTA DB pension payments are monthly.
- Regardless of the option you elect, you will receive an MTA DB plan pension for your entire lifetime.
- If you are a married participant you must receive your monthly benefit as a 50% Joint and Survivor annuity unless a spousal consent form is filed with the MTA DB office.
- We encourage you to have your monthly benefit deposited directly to your savings or checking account.

Payment options

Life Annuity - You will receive a monthly benefit for your lifetime. No payment will be made after your death. This is the maximum monthly pension allowance. You may only elect this option if you are single, or if married your spouse has completed a spousal election form and filed with the MTA DB office.

100% Joint and Survivor Annuity - You will received a reduced retirement benefit and upon your death your beneficiary will receive a monthly benefit equal to 100% of your benefit for the remainder of his/her lifetime.

Payment Options

(continued)

75% Joint and Survivor Annuity – You will receive a reduced retirement benefit and upon your death, your beneficiary will receive a monthly benefit equal to 75% of your benefit for the remainder of his/her lifetime.

50% Joint and Survivor Annuity – You will receive a reduced retirement benefit and upon your death, your beneficiary will receive a monthly benefit equal to 50% of your benefit for the remainder of his/her lifetime.

25% Joint and Survivor Annuity – You will received a reduced retirement benefit and upon your death, your beneficiary will received a monthly benefit equal to 25% of your benefit for the remainder of his/her lifetime

Payment Options -

(continued)

Five Year Certain Option – You will receive a reduced retirement benefit for your lifetime, but a benefit is guaranteed to a beneficiary for a minimum of five (5) years following your retirement.

Ten Year Certain Option – You will receive a reduced retirement benefit for your lifetime, but a benefit is guaranteed to a beneficiary for a minimum of ten (10) years following your retirement.

Disability Retirement

- You are eligible to receive a disability retirement at any age if you meet the following criteria:
 - Either you have 10 or more years of credited service, or the Medical Board finds that your disability is the result of a service related accident; and
 - The Medical Board finds you are permanently incapacitated and you can no longer perform the duties of your job.

Disability Retirement

(continued)

- In order to receive a disability retirement you must file with the MTA DB Pension Unit.
- You will be required to provide medical documentation, and you may be subject to follow up examinations.

Disability Retirement

(continued)

- If your application for disability retirement is approved, your benefits will be:
 - ❖ If you have 20 or more years of credited service, your benefit will be calculated as a normal service retirement
 - ❖ If you retire with less than 20 years of credited service, your benefit will be $\frac{1}{3}$ of your FAS.

Ordinary Death Benefits

(Active Employees)

- For a period of 36 months after full and final ratification, all participants in the New Program shall receive a death benefit from the MTA DB Plan of either \$100,000, or the death benefit as computed under the Plan death benefit provisions, whichever is **greater**.

Ordinary Death Benefits

Active Employees

- One year but less than 2 = 1 X salary
- Two years but less than 3 = 2 X salary
- Three or more years of service = 3 X salary
- After age 60 the death benefit is reduced by 4% per year until age 70.

Accidental Death Benefits

(Active Employees)

- For death resulting from an on-the-job accidental injury.
- Monthly benefit for lifetime of 50% of employee's last 12 months of earnings; or
- Beneficiary may elect the ordinary death benefit if the beneficiary is the same for both the ordinary and accidental disability.

Retiree Death Benefit

Service Retirement Only

- First Year - 50% of the pre-retirement amount
- Second Year - 25% of the pre-retirement amount
- Third Year and thereafter - 10% of the benefit payable at age 60 or at retirement if prior to age 60.

Vested Death Benefit

- If you leave the agency with 10 or more years of MTA DB plan service, you will be entitled to a vested death benefit.
- This vested death benefit will be 50% of 3 X your annual salary at the time you terminated employment.
- The vested death benefit will remain in effect until you start to collect your monthly retirement benefit.
- In the event a vested member dies before monthly benefits begin, the beneficiary will receive a lump sum benefit only.

Disclaimer

- This presentation provides only a brief summary of certain information regarding the MTA Defined Benefit Pension Plan. In the case of any conflict between this presentation and the documents governing the MTA DB Plan, the documents shall govern.

Thanks!

- Thank you for taking the time to attend this presentation. We, at the MTA DB Plan, hope that you were provided with new insight into your pension plan. Our commitment is to ensure that all MTA DB Plan participants have the information required to make the best decision on financial matters that will have a lifetime impact.