



State University of New York

*Mem to All  
x of Personnel General*

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## Memorandum to Presidents

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Date: December 7, 1976

Vol. 76 No. 30

From: Office of the Vice Chancellor for  
Faculty and Staff Relations

Subject: Pension Reform Act

For the last few months, members of my staff have been working with other State agencies to clarify the impact of the recently legislated Pension Reform Act on the retirement systems available to State University employees. Signed into law by Governor Carey on July 29, 1976, the legislation (Article 14, "Coordinated-Escalator Retirement Plan," an amendment to the Retirement and Social Security Law) is effective as of July 1, 1976. Although there are still some outstanding questions, the major elements of the legislation are now clear.

This legislation applies to persons hired July 1, 1976 and thereafter.

### EMPLOYEES' RETIREMENT & TEACHERS' RETIREMENT SYSTEMS

Normal retirement age is 62 with ten years of service; may take early service retirement between ages 55 and 61 with ten years of service.

#### SERVICE RETIREMENT BENEFITS

A. 20 years of service at age 62:

$1/50 \times$  final average salary  $\times$  years of service (not to exceed 30 years)

Benefit reduced by 50 percent of social security award (social security award calculation based only on government employment)

B. Less than 20 years of service at age 62:

$1/60 \times$  final average salary  $\times$  years of service

Benefit reduced by 50 percent of social security award (social security award calculation based only on government employment)

EARLY SERVICE RETIREMENT BENEFITS

- A. & B. Same as above, without social security offset. Benefit reduced by 1/15 for each of first two years prior to age 62 and by 1/30 for each year prior to age 60. At age 62, benefit reduced by 50 percent of social security award.

EMPLOYEE CONTRIBUTION

Each employee will be required to contribute 3 percent of salary. The employee contribution will not go into effect until the first complete pay period in January 1977.

Retirement benefits may be increased by 3 percent annually, based on the cost of living index.

ORDINARY DEATH BENEFITS

If employee entered service at age 53 or younger and completed one year of employment, his or her beneficiary will be entitled to a lump sum death benefit based on the following schedules:

1. If death occurs before age 60:

<u>Years of Credited Service at Death Before Age 60</u>		<u>Lump Sum Death Benefit</u>
<u>At Least</u>	<u>But Not More Than</u>	
1 year	2 years	one x final rate of pay, but not in excess of \$20,000
2 years	3 years	two x final rate of pay, but not in excess of \$40,000
3 years or more		three x final rate of pay, but not in excess of \$50,000

2. If death occurs at age 60 or later, the benefits determined under 1 (above) will be reduced by a rate of 10 percent for each year of age, 60 and beyond.
3. If the employee was age 52 or older at the time of his last entry into State service, the lump sum death benefit shall be determined pursuant to paragraphs 1 and 2, except that the maximum benefit shall not exceed the amounts set forth below.

<u>Age at Last Entry Into Public Service</u>	<u>Maximum Benefit Under Subdivision 1</u>
53	\$40,000
54	30,000
55-65	20,000
65 and older	1,000

OPTIONAL RETIREMENT PROGRAM (TIAA-CREF)

EMPLOYEE CONTRIBUTION

Professional employees appointed July 1, 1976 and thereafter will be required to contribute 3 percent of salary commencing with the first complete pay period in 1977 (January 6 to 19).

The 3 percent employee deduction will begin automatically with the paycheck dated January 19, 1977. Future possible arrears required by a new employee taking the full thirty days allowed by law to make a retirement election, will be the colleges' responsibility. Further instructions will follow.

For employees in the 13-month suspense status, the Department of Audit and Control will hold employee contributions. At the end of 13 months, Audit and Control will transmit the employee contribution, plus interest, together with the employer contribution, plus interest, to TIAA.

If an employee leaves prior to completing 13 months of service, the employee's contribution, plus interest, will be returned after a 30-day waiting period. A form (to be designed and distributed), accompanied by a voucher, will have to be forwarded to Audit and Control in order to effectuate a return of employee contributions.

EMPLOYER CONTRIBUTION

The new pension legislation requires that the cost of the Optional Retirement Program, on an individual basis, not exceed the cost of the Teachers' Retirement System or the Employees' Retirement System, whichever is higher, raised to the next whole percentage point.

The actuaries of ERS and TRS have given us preliminary estimates of 10 percent and 10.2 percent which we are able to raise to 11 percent.

For 1976, since no employee contribution is required, the employer will contribute a straight 11 percent of salary.

In 1977, the social security base will rise to \$16,500; the employer contribution for that year will be as follows:

1. For employees earning the social security base or less: 9 percent plus a 3 percent employee contribution;
2. For employees earning between \$16,500 and \$49,500, 9 percent of \$16,500, 12 percent of excess plus a 3 percent employee contribution;
3. For employees earning over \$49,500, 11 percent (9 percent of first \$16,500, 12 percent of salary between \$16,501 and \$49,500, 11 percent of salary over \$49,500 plus a 3 percent employee contribution.

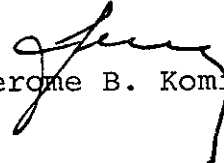
Calculations as noted in 2 and 3 will change as the social security base increases or if the estimates from the actuaries change. The \$49,500 is a break-even figure where 11 percent of salary equals a 9-12 percent step rate. This step rate is required by Article 8-B, Section 392.1 of the Education Law.

#### PART-TIME EMPLOYEES

Pending corrective legislation, both the Teachers' Retirement System and the Employees' Retirement System have administratively ruled that retirement membership is optional for all part-time employees. We had been concerned that membership would be required for part-time faculty, student, graduate, and teaching assistants.

If you have any questions, please contact Larry Katz of my office.

Thank you for your cooperation.

  
Jerome B. Komisar

cc: Personnel Officers, all campuses  
Mr. Robert Ziskind, CUNY  
Mr. George Simmons, Research Foundation  
Mr. Bruce Smith, TIAA

This memorandum addressed to:  
Presidents, State-operated Campuses  
Presidents, Community Colleges  
Deans, Statutory Colleges

Copies for information to:  
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Mr. Barlow