

BERS WORDS

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The BERS Office — A Work In Progress

Members,

I apologize to you for any difficulties you have had communicating or transacting with us over the last few months. We are in the throes of a major renovation of our office space which has caused some disruption in our phone system and has made visiting BERS at 65 Court Street less comfortable and efficient than it usually is.

In an attempt to manage this disruption and to improve service to our Members, we have made some improvements and attempted to warn you that interacting with BERS will be difficult for a few months.

In November, we implemented a computer check-in kiosk in our office to help us manage the flow of visitors to our offices. Data from this system will help us improve our service to Members. Based upon the data we are accumulating, you should expect increases in staffing of our Membership Services department. In December, we distributed a mail notice to all Members about our construction project and announced a change in the Loan Application process. BERS will accept electronic mail or fax

delivery of loan applications. Loan applications are available on the BERS website, www.nycbers.org and can be submitted by email to loans@bers.nyc.gov, or faxed to 718-935-3234. You must be able to qualify for a BERS loan at the time of application and your loan distribution must be deposited electronically to the same account your paycheck is deposited via electronic fund transfer (EFT). There is also a new Loan Inquiry Hotline, 718-935-5038.

As construction progresses, many of our employees will be undergoing multiple moves and will be undergoing some stress at work so, you will not be alone if you have frustrations. Please remember that in the end BERS offices will be more comfortable, providing for better service to Members, better work spaces for employees and will include upgraded, faster, network and computer systems as well as a new modern phone system. It will be awful during construction, but it will be great once it is done.

Regards,
Sanford R. Rich
Executive Director

2016 1099-R Forms Issued

It is the beginning of the year, it is tax time. The 1099-Rs have been issued and mailed by January 31, 2017 to all concerned members. If at any time during 2016, you received a monthly retirement benefit, a refund of your contributions, or if you defaulted on an outstanding loan, you should have received a form 1099-R.

The 1099-R form, which is the official Internal Revenue Service (IRS) tax form documenting the distribution of pre-tax funds from your qualified retirement accounts, is meant to assist you in determining your federal and state income tax refund (payment)

due for Calendar Year 2016. You should provide a copy of the 1099-R to your tax preparer.

The 1099-R shows the total benefit received in 2016, the taxable and non-taxable portions of the benefit, and the total amount of tax withheld, if any, during the year. If you received any payments (other than a new loan disbursement) from the retirement system and you did not receive a 1099-R form, you can receive a duplicate 1099-R by calling our Accounting Department at (718) 935-4170. Please ensure that we have your current mailing address on our records.

We would like to hear from you. Please send comments regarding our newsletter, or any specific concern to The Editor, **BERS WORDS, Board of Education Retirement System, 65 Court Street, Room 1603, Brooklyn, N.Y. 11201.** Or E-mail your comments to Brespon@bers.nyc.gov.

BERS Financial Reports Issued

BERS' financial report, officially known as the Comprehensive Annual Financial Report (CAFR), was issued for fiscal year 2016 and is available on the BERS website. This is the link to the CAFR: www.nycbers.org/UI/Pubs.aspx The FY2016 CAFR showcases the combined results for the Qualified Pension Plan (QPP) and the Tax Deferred Annuity Program (TDA Program). An unqualified opinion was issued by the BERS' independent auditors recruited by the City of New York, Marks Paneth, LLP, regarding the combined financial statements for the fiscal year ended June 30, 2016. This opinion indicates that the combined financial statements issued by BERS present fairly, in all material respects, the net position of the fiduciary as of June 30, 2016 and 2015 and the changes in the fiduciary net position for the years then ended, in conformity with Generally Accepted Accounting Principles.

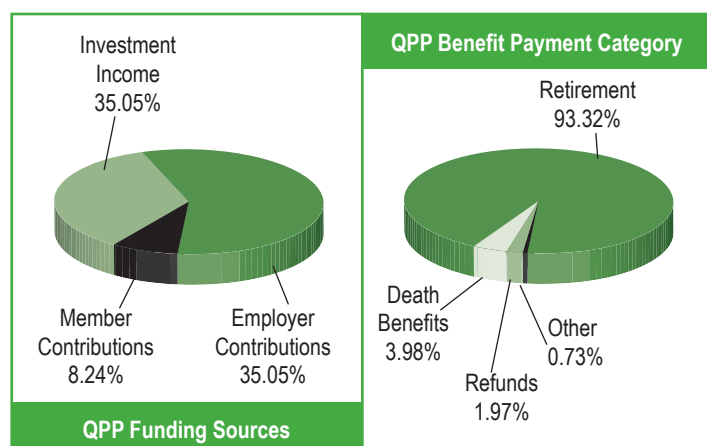
In addition, we are proud to announce that BERS has been awarded the Certificate of Excellence in Financial Reporting by

Government Finance Officers Association (GFOA). This is the twenty-ninth consecutive year that the BERS is a recipient of this prestigious national award. The Certificate of Achievement recognizes conformance with the highest standard for preparation of state and local government financial reports. Thank you to all of the staff at the Office of the Actuary, the Comptroller, and BERS who worked closely on preparation of these reports.

During FY2016, BERS' assets crossed the \$5 billion milestone and BERS' staff serviced approximately 60 thousand members. The QPP's net position held in trust for benefits was set at \$3.42 billion while the TDA improved by \$119 million to end the FY2016 at \$1.63 billion. For more detailed information about the main drivers of the increase in BERS net position, we invite you to visit our website www.nycbers.org/UI/Pubs.aspx.

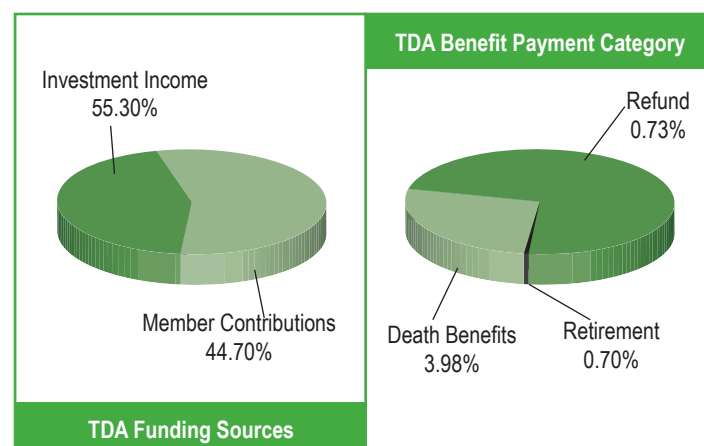
QPP Fiduciary Net Position—June 30, 2016 and 2015 (In thousands)

Assets:	2016	2015
Cash	\$ 327	\$ 16,143
Receivables	166,060	95,756
Investments, at fair value	4,526,973	4,479,080
Collateral from securities lending	477,623	302,135
Other	124,031	106,254
Total assets	\$ 5,295,014	\$ 4,999,368
Liabilities:	2016	2015
Accounts payable	\$ 6,907	\$ 6,199
Payable for investments purchased	103,213	86,747
Accrued benefits payable	7,357	5,461
Due to the TDA Program from the System	1,283,481	1,144,817
Payables for securities lending	477,623	302,135
Total liabilities	\$ 1,878,581	\$ 1,545,359
Net position held in trust for benefits	\$ 3,416,433	\$ 3,454,009



TDA Program Fiduciary Net Position—June 30, 2016 and 2015 (In thousands)

Assets:	2016	2015
Cash	\$ 205	\$ 122
Receivables	40,455	41,264
Investments, at fair value	409,776	419,530
TDA Program's interest in the Fixed Funds	1,283,481	1,144,817
Collateral from securities lending	15,642	29,607
Other	0	0
Total assets	\$ 1,749,559	\$ 1,635,340
Liabilities:	2016	2015
Accounts payable	\$ 0	\$ 0
Other liability	96,156	83,901
Payable for investments purchased	902	4,428
Accrued benefits payable	6,783	6,045
Securities lending transactions	15,642	29,607
Total liabilities	\$ 119,483	\$ 123,981
Net position held in trust for benefit	\$ 1,630,076	\$ 1,511,359



Understanding the Different Distribution Codes For 1099-Rs

Here is a guide to understanding how BERS determines the distribution code for 1099-R's based on the information we have.

1. **For periodic payments**, BERS uses the following codes:
 - Code 2 - You were under age 59½ as of December 31.
 - Code 3 - You received a disability pension provided under your pension plan.
 - Code 4 - You received benefits as a beneficiary after the death of the plan participant.
 - Code 7 - You were at least age 59½ on December 31.
2. **For one-time payments**, BERS uses the following codes:
 - Code 1 - You were under age 59½ on the payment date and an exception does not apply.
 - Code 2 - You were under age 59½ on the payment date and one of the following exceptions applies:
 - You separated from service from (the employer who sponsored the plan) in or after the year you reached age 55 and the payment was made after your separation date,
 - The payment was made due to an IRS levy, OR
 - You are an alternate payee under a qualified domestic relations order;
3. If you feel a correction is necessary, you may either:
 - Code 3 - You received a disability pension provided under your pension plan.
 - Code 4 - You received benefits as a beneficiary after the death of the plan participant and:
 - the payment is made to the participant's estate OR
 - the check advice line states "Death Benefit."
 - Code 7 - You were at least age 59½ on the payment date;
 - Code A - The participant was born before 01/02/1936 (may be used with code 4 or 7);
 - Code G - Your payment was directly rolled over to an IRA or another retirement plan (may be used with code 4); OR
 - Code L - You had a loan under the plan that was treated as a distribution (may be used with code 1 or 4).
3. If you feel a correction is necessary, you may either:
 - File IRS Form 5329, "Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts," OR
 - Contact BERS' Accounting Department at (718) 935-4170 and request a corrected Form 1099-R.

Questions and Answers

Q. Can I contribute to my TDA from my Managerial Lump Sum payment?

- A. BERS members may use lump sum payments representing unused annual time and/or sick time to contribute to their Tax Deferred Annuity (TDA) accounts *subject to certain limitations*.

You may contribute to your TDA from a lump sum payment representing unused annual time and/or sick time subject to the following limitation: the payments are made within the **later** of:

- 1) the end of the calendar year; OR
- 2) two and half (2½) months after severance from employment.

For example, if your last day of employment is April 1, 2017, you will have until December 31, 2017 (the end

of the calendar year) to utilize the lump sum payment to make a contribution to your TDA account. Alternatively, if your last day of employment is December 1, 2017, you will have until February 14, 2018 (two and a half months after severance from employment) to use the lump sum payment to contribute to your TDA account.

Your employer may allow you to divide the lump sum payment and receive the funds over the course of a few years. When deciding whether and how to break up any lump sum payment, please consider the above limitations and note that you may not utilize a lump sum payment to contribute to your BERS TDA unless it is within the later of two and a half (2½) months after severance from employment or the end of the calendar year that includes the date of severance from employment.

Questions and Answers (Cont'd)

- Q. I retired at age 55 and I recently turned 60 years old. Why did I receive two 1099-R forms for my pension distribution?**
- A.** You may receive two 1099-R statements for the year in which you turn age 59½. The IRS considers age 59½ to be the “normal” retirement age. For pension distributions that you receive before turning age 59½, you will receive a 1099-R with Box 7 listing Distribution Code 2 “Early Distribution with Exception.” For pension distributions received after age 59½, you will receive a 1099-R with Box 7 listing Distribution Code 7 “Normal Distribution.”
- Q. I received a 1099-R and the taxable amount is labeled: “not determined”. Why can’t BERS determine the taxable amount? What is my taxable amount?**
- A.** For most pension plans, the taxable amount of your pension benefit equals the gross amount paid to you. However, some plans provide pension benefits that contain both taxable and non-taxable amounts. For example, the part of your pension benefit distribution that is attributed to post-tax contributions is treated as a recovery of your cost and is tax free. Since BERS may not have received all of the information needed to accurately determine the taxable amount for your pension benefit, BERS will not report it, as permitted by the IRS.

For more information, please consult IRS Publication 575, “Pension and Annuity Income,” or refer to your tax preparer.

For more information, please consult IRS Publication 575, “*Pension and Annuity Income*,” to calculate your taxable amount or refer to your tax preparer.

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