



THE PENSION PRESS

VOLUME 6 NUMBER 2

A Newsletter Published for the Active & Retired Members of the New York Police Pension Fund

The History of the New York City Police Pension Fund

The history of pension plans and pension funds in general dates back thousands of years. Although public and, even more recently, private pensioning is relatively new to society, military pensions go back as far as the early Roman Empire. When Augustus was the Roman Emperor, he established the first known formal pension plan for the Roman Legions. Within two decades (around 5 or 6 AD) the first permanent pension fund was established.

In England in the late sixteenth century, laws were passed to provide annual payments for disabled British soldiers. Retirement pensions for soldiers were offered by European governments, but these were based on individual cases and frequently subject to questionable social and political motives. Still, by the early 1800's, many of Europe's great powers offered formal retirement plans to their military.

In 1857, New York City created the "Police Life and Health Insurance Fund", which became the first municipal disability plan, benefiting policemen disabled in service, or the families of officers killed in the line of duty. The original fund was comprised of sales of unclaimed stolen property, rewards, voluntary contributions and fines collected for violations of 'Sunday laws'.

In 1858, there were 1,430 members of the pension-able uniformed police force, and two widows of fallen officers eligible for benefits from the fledgling fund. From its onset, there have been numerous legislative and administrative changes to normalize the payments allocated and how such payments would be funded. Many lessons have been learned over time and over the course of over 140 years, the Fund has come a long, long way.

The present day New York City Police Pension Fund (Subchapter 2, or Article 2A) was incorporated in 1940, succeeding the Subchapter 1 fund covering New York City Police prior to then. And in the last decade alone great strides have been made to bring the Fund to where it is today. In 1995 legislation was passed to merge Subchapter 1 with Subchapter 2. That same year Housing Authority and Transit Authority Police Officers were merged into the New York City Police Department and with the merge came approximately 7,000 transferred active members from NYCERS.

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The Truth About Pension Shortages

One of the most frequently asked questions from our members concerns shortages. This information is intended to address the issues concerning Pension shortages and how to prevent them.

How is a members' required amount calculated?

Each member of the Police Pension Fund upon entering into the N.Y.P.D is assigned a contribution rate depending on their age at their date of membership. These rates can range from 4.30% to 8.65% (see chart below).

Assigned Rate at Time of Appointment to NYPD

AGE	COMBINED RATE (including the City's 5.00%*)	ACTUAL RATE the member contributes
16	8.65%	3.65%
17	8.55%	3.55%
18	8.40%	3.40%
19	8.20%	3.20%
20	8.05%	3.05%
21	7.85%	2.85%
22	7.65%	2.65%
23	7.50%	2.50%
24	7.30%	2.30%
25	7.15%	2.15%
26	6.95%	1.65%
27	6.80%	1.80%
28	6.65%	1.65%
29	6.45%	1.45%
30	6.30%	1.30%
31	6.15%	1.15%
32	6.00%	1.00%
33	5.85%	0.85%
34	5.65%	0.65%
35	5.50%	0.50%
36	5.35%	0.35%
37	5.20%	0.20%
38	5.05%	0.05%
39	4.90%	0%
40	4.75%	0%
41	4.60%	0%
42	4.45%	0%
43	4.30%	0%

*as of 10/1/2000

The above combined rate (plus interest) from your contributed money is used when determining a member's required contribution for their first 20 years of service. If a member exceeds this amount he/she will have an excess which can increase their annual pension. If a member falls short of this amount, he/she will have a shortage, which will decrease one's annual pension.

The Truth About Pension Shortages : Continued

How is a Pension Shortage created?

1. If a member takes a pension loan during his/her career, this may create a shortage. The reason is that the member is repaying his pension loan at 4% which will result in a loss of interest to your annuity account (currently your annuity is receiving 8 1/4%). This loss of interest may create a shortage in a members' account even if that member repaid the loan before he retires and/or continues to make pension contributions. A simple example over a one year period: \$10,000 loan x 4% = \$10,400 leaving a shortage of \$425.00 (10,000 x 8.25%).
2. If a member stops contributing or never contributes to his/her pension account this will create a shortage to his/her account. Example: A member, 23 years old, whose rate is 7.50% upon entering the NYPD and stops contributing after 1 year will create a substantial shortage in their account at retirement. Some members have chosen to contribute to Deferred Compensation rather than pension with the understanding that they are creating a shortage at retirement.
3. Transfers of Time and some Buybacks may affect one's rate of contribution, which in turn, may affect one's required amount. When buying back this time or transferring time, members are made aware that service purchased under this status will affect their rate of contribution. The rate of contribution will be adjusted to the rate according to his/her age at the start of the service acquired or purchased, thereby creating a shortage. Example: A member who entered Police service on 1/9/86 at age 24 (assigned a rate of 7.30%) buys back 3 years of city time from 1/1/81-12/31/83. On 1/1/81, the member was 19 years old. Therefore, his/her rate of contribution would be calculated now at 8.20%, as if the member had entered service at 19 years of age. Since the member was contributing at a lower rate until the purchase of the buyback time, a shortage was created.
4. Retroactive contractual raises can also create a shortage in a member's account. When a member's contract is settled and retroactive monies are paid to the member, it increases the member's required amount up to their 20th Anniversary. The pension monies that are put into your pension account, from your retroactive pay, were not accumulating the required interest and therefore will have a shortage of the interest that should have been paid during this 2,3 or 4 years that it took to settle the contract. Even though you are now making up your pension contributions from a settled retroactive contract, no interest (which is part of one's required) has been accumulated on those monies during the years that they were not paid into your account.

The Truth About Pension Shortages : Continued

How can a shortage be corrected?

There are three ways that a pension shortage can be corrected:

THE ITHP WAIVER. Choosing the ITHP waiver means that the member agrees to fulfill his/her own assigned contribution rate in addition to the city assuming 5.00% of his/her contribution rate. This waiver can help decrease his/her shortage and may result in the member having an excess (amount above his/her required), which will result in extra monies added to their annual pension for life or a greater final distribution. Example: If a member, 23 years old, has a contribution rate of 7.50%, the City of New York assumes the applied rate of 5.00% and the member contributes 2.50% of his/her rate. With the ITHP waiver, the member will be contributing an extra 5.00% for a total of 7.50% before federal taxes thereby decreasing his/her taxable federal gross and adding value to their pension account.

THE ADDITIONAL 50% PENSION CONTRIBUTION. Choosing this has similar benefits as with choosing the ITHP waiver however, the monies being contributed through this method are taxed contributions. Reducing your shortage in this manner will result in you adding tax free money to your account.

Example: A member is contributing 7.50% to his/her account (federal tax deferred). He/she decides to apply the additional 50% waiver as well. He/she is now contributing 7.50% tax deferred funds and the additional contribution which is 3.75% of taxed funds to his/her account for a total of 11.25%.

LUMP SUM PAYMENT. If a member chooses to pay down their shortage by making a lump sum payment, this may be done at any time either in person or by mail. The member must request a shortage evaluation at the time of the payment and submit a check payable to the New York City Police Pension Fund Article 2. This payment will be credited to his account balance, thereby reducing or removing his or her shortage.

What happens when you choose the ITHP Waiver and the Additional 50% Pension Contribution?

If one opted for the above ITHP waiver (as described in explanation #1) *and* the additional 50% pension contribution (as described in explanation #2), the following would result. 2.50% actual rate, plus the 5.00% ITHP rate that you are contributing from your paycheck plus the 3.75% additional 50% pension contribution, totaling an 11.25% actual cash contribution from your paycheck, into your account.

Example: A Police Officer, whose rate of contribution is 7.50%, earns \$70,000 for the year.

- A. If he/she contributes only 2.50% of salary, \$1750 would be deposited into his/her account that year, federally tax deferred.
- B. If he/she contributes 2.50%, plus the 5.00% ITHP waiver, a total of \$5,250.00 would be deposited into his/her account that year, federally tax deferred.

The Truth About Pension Shortages : Continued

- C. If he/she contributes 2.50% plus the 5.00% ITHP waiver (federally tax deferred) and the 50% Additional (3.75% additional taxed monies), he/she would contribute \$5,250.00 in federally tax deferred funds plus \$2,625.00 in taxed funds for a total of \$7,875.00 of contributions for the year.

What is the result in having a Pension Shortage?

We have established in the first part of this publication that a members required amount is based on the equivalent of 20 years of service, a designated contribution rate and pensionable earnings during that time period. When a member retires, the Police Pension Fund performs an audit of the members account. If he/she has the required amount in the account, he/she is eligible for the maximum pension benefit, provided they leave their contributions in their account. If a shortage is found, he/she is advised and given the opportunity to pay back the shortage into the account, and as in most cases if he/she elects not to make up the shortage, the shortage is then multiplied by his/her actuarial factor, and the pension is then reduced by the resulting amount for life.

Example: A forty-five year old member retiring for service has a \$50,000 shortage which is not repaid. The \$50,000 is multiplied by the actuarial factor (per thousand) of \$62.07, resulting in a pension reduction of \$3103.50 per year for life. Conversely, members who have an excess are so advised and can leave the excess in their pension to generate an added benefit or they may take the excess without reducing their initial benefit.

Keep in mind that at retirement, members may take a final distribution (sometimes called a “final loan”) from their account. Members may withdraw up to 90% of their required amount and all of their excess, if applicable. Keep in mind that taking this final distribution at retirement will have the same effect as having a shortage in your account and will accordingly reduce your annual pension. The same can be said for having an outstanding loan balance at the time of retirement. Members with a membership date after August 19, 1985 are subject to a higher shortage cost, (approximately 2% greater) and should pay particular attention to this issue. All such monies which were contributed to the account before federal taxes (414H contributions) and withdrawn at retirement, are subject to federal tax (and possible 10% penalty for members younger than 50) if not properly rolled over into an IRA or other qualified retirement vehicle.

Contributions made before November, 1989, lump sum contributions that are made to pay off a shortage (not to payback a loan), or the extra 50% pension contribution, are credited to your account as “TAX FREE” monies and will be eligible for a tax free distribution if present in the member’s account.

Contact the Police Pension Fund with your general questions by telephone 212-693-5100 or by e-mail on our website www.nyc.gov/nycppf.org. Remember, rumors are not answers. Contact us for the facts. ■

WTC Scanning Project

The Police Pension Fund, through August 30, 2008 will scan any supporting documentation into a member's folder that supports or substantiates the member's presence at any of the World Trade Center Sites. This is a courtesy provided by the Fund.

Members are under no obligation to take advantage of this service however, it is recognized that documents may be misplaced or lost and therefore the Police Pension Fund will attempt to preserve copies of documentation sent to the Post Office Box, by scanning, into the member's folder, any supporting documentation described below is scanned into the Police Pension Fund's Docushare image management system. Docushare is protected with several layers of backup security for our member's protection. Also, The Police Pension Fund electronically backs up over 8 million electronic images of paper to tape daily, that are kept off-site at a secure tape warehouse.

The Police Pension Fund has a computer folder for every active and retired member. The Police Pension Fund will provide a courtesy to any member who is in possession of data that would substantiate their presence at any one of the World Trade Center Sites from September 11, 2001 up to and including September 12, 2002.

Members should photocopy any data such as memo books, overtime slips, detail rosters, command log entries or pertinent information that would document their presence.

In order to electronically scan any supporting documentation it is requested that:

- Each piece of documentation should be photocopied onto an 8 ½ x 11 piece of paper – **DO NOT SEND THE ORIGINAL.**
- Members should send - via U.S. Mail – the aforementioned documentation in a business envelope to the:

Police Pension Fund Documentation Unit-*Active or Retired*

Church Street Station

P.O. Box 7003

New York, NY 10008-7003

**The outside envelope must indicate whether the member is now an active or retired member.*

WTC Scanning Project: continued

- Included with the documents should be the members name, tax registry number, rank, and last four social security digits.
- If the memo book entries are being forwarded then a photocopy of the memo book cover should be included.
- **DO NOT** send any medical documentation or unrelated forms.

The Police Pension Fund will provide this electronic scanning into ones pension folder through **August 30, 2008**.

The Fund will not accept originals. Members should preserve their originals in a safe and secure place, should they be needed at some future date.

It must be understood that the Police Pension Fund will not verify any supporting documentation but only scan documents into a member's folder in the hope that such documentation may assist the member at some future date.

****Please remember that the Last date to file a Notice of Participation, for those who haven't filed is June 14, 2009. WTC Notice of Participation forms can be downloaded from the Police Pension Fund's website www.nyc.gov/nycppf also, on our site our members can find several links to WTC health screening site for their convenience. ■**

Cost of Living Adjustment: 2008 Update

The Cost of Living Adjustment (COLA) is a valuable benefit adjustment that was passed by the State Legislature and signed into law by the Governor in 2000, as a permanent benefit to be determined in accordance with Chapter 125 of the Laws of 2000.

The COLA adjustment is determined, in part, each calendar year in March by the Consumer Price Index (CPI) but doesn't go into effect until September 1st of every year at half of the CPI with a guaranteed 1% but no more than 3%. **This year, the increase is 2% most of our members can expect an approximate \$30.00 increase in their monthly pension check.**

The following are the qualifications for Police Pension Fund members to be eligible for COLA:

- Members who retired for Service and have been retired 10 years and have reached at least 55 years of age.
- Members who retired for Service and have been retired 5 years and have reached 62 years of age.
- Members retired for any Disability and retired at least 5 years with no age requirement.
- Members who vested, reached what would be considered their 20th anniversary date and then have 10 years retired from that point and are at least 55 years old.

PBA Contract Settlement: For Retirees

Many of our retired members have been inquiring for the last few weeks about how the recent PBA contract settlement will affect their pension and when they can expect to be finalized. So that there is no confusion, we want to make our retirees aware of the retro money and finalization process:

RETROACTIVE MONEY:

The expected retro monies that are due to our members through the PBA contract settlement (8/1/04-7/31/06), should be forthcoming. For further information regarding retro money, you can visit the PBA website at www.nycpba.org

*Please note that retired members that were on a Night Differential Chart may experience a delay in receiving their retroactive money.

FINALIZATION:

PBA settlement recipients can expect the following finalization timeline: The Police Pension Fund has finalized up to July 2004 retirees, and will continue to finalize our members as soon as we receive the related pay charts from NYPD Payroll and the Office of Payroll Administration. This process could take at least 4-6 months. When these charts are received, the PPF will then begin to finalize our member's expeditiously.



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(Doors open at 5:00 pm)

To ensure seating, please call the PBA office, 212-298-9248 or 9249 or you can email us at: mdcaro@nycpba.org or eyoungkin@nycpba.org. We will need the following information: Name, rank, command, home phone and whether or not your spouse will be attending.

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“HISTORY” continued

In 2001, legislation provided Corpus Funding for the Pension Fund. In September, 2002 the Fund relocated to its present address, 233 Broadway in New York City. (Woolworth Building) Over the past decade the workload has quadrupled in size. From limited workspace and technology, the Fund has migrated to a state of the art workplace. From 140 years ago, with only 1,430 Police Officers the Fund now services over 75,000 active and retired members and beneficiaries. ■



Created by Police Commissioner Theodore Roosevelt in 1895 to apprehend speeding horse-drawn carriages, the 29-member bike squad, known as the "Scorcher Squad," made 1,366 arrests in its first year. By the end of **1917**, the NYPD had 276 motorcycles, 1,025 bicycles, 327 horses and 86 cars, wagons and trucks.