Retirement Planning for Educators

There are 3 main sources of retirement income for Educators:

1) Pension – (NYSTRS)
2) Elective deferrals – 403b and 457 plans
3) Social Security

1) The New York State Teachers Retirement System

NYSTRS is a defined Benefit retirement program which generates retirement income for employees in retirement. The annual pension income is determined by several factors depending on the Tier an employee falls into. There are 3 current Tiers - 4, 5, and 6. Each Tier has different contribution requirements and different payout calculations (see attached worksheet). All income generated in retirement is Federally Income Taxable. State tax is waived for NY residents. The payout calculation is a formula using the number of years an employee works in the system and the Final Average Salary (FAS) attained (FAS is 3 years or 5 years averages).

For more information visit - https://www.nystrs.org/

2) 403b and 457 plans

403(b) and 457 plans are retirement savings programs that allow public school employees to save for retirement with payroll *elective* deferrals. This will create another source of income in retirement to supplement the Pension. Distributions from 403b and 457 plans are generally flexible and determined by the participant during retirement. These plans do not auto enroll and employees must open an account and sign up for contributions into their 403b or 457 accounts.

The annual maximum contribution for 2026 - $24,500 for each, the 403b and the 457. There is an age 50 catch up for 2025 of $8,000 for individuals over the age of 50 or if between the ages of 60 and 63 then the catch up is $11,250 instead of $8,000.

PRETAX or ROTH

Employees choose to either pay taxes now (ROTH contributions) or defer taxes until retirement (PRETAX contributions) or a combination of both.

Pretax – Contributions are done on a Before-tax basis which reduce your taxable income and defer taxes until you withdraw the money later.

Roth - Contributions are after-tax, which means you pay taxes now on your deferrals, but all qualified withdrawals, including earnings, are tax-free. *Unlike the ROTH IRA, there are no income limits and individuals can contribute their entire 403b max allowed contributions into a ROTH 403b.

For more information reach out to one of the 403b/457 providers or visit the schools TPA OMNI - https://omni403b.com/Employees/FAQ

3. Social Security

Social security is a lifetime income that is determined by your lifetime income and the age you start collecting. Income can start as early as 62 years old. Full retirement age is generally 66 or 67

(depending on your DOB). One can defer until age 70 when they reach their max benefit.
www.ssa.gov

NYS Teachers Retirement System (NYSTRS)

Tier Date of Membership

Tier 1 - Before 7/1/73
Tier 2 - 7/1/73 — 7/26/76
Tier 3 - 7/27/76 — 8/31/83
Tier 4 - 9/1/83 — 12/31/09
Tier 5 - 1/1/10 — 3/31/12
Tier 6 - On or after 4/1/12

Tiers 3-6 CONTRIBUTIONS

Tier 3 and 4 members: You are required by law to contribute 3% of your salary until you have been a member for 10 years or accrue 10 years of total service credit, whichever occurs first.

Tier 5 members: You are required to contribute 3.5% of your salary throughout your active membership.

Tier 6 members: You are required to contribute a percentage of your salary throughout your active membership. See *Contribution Rate Information below:*

Salary	Contribution Rate
$45,000 and less	3.0%
More than $45,000 to $55,000	3.5%
More than $55,000 to $75,000	4.5%
More than $75,000 to $100,000	5.75%
More than $100,000 to maximum of NYS	6.0%

Service Credit Pension Factor

(# of years) x (pension factor) x (Final Average Salary) = $ Annual Pension income

Tiers 3 and 4, calculated under Tier 4:

Less than 20 years = 1⅔% per year
20 to 30 years = 2% per year for all service
30 or more years = 60% plus 1½ % for each additional year over 30 years
*Age 55 w/30 yrs or Age 62

Tier 5:

Less than 25 years = 1⅔% per year
25 to 30 years = 2% per year for all service
30 or more years = 60% plus 1½ % for each additional year over 30 years
*Age 57 w/30 yrs or Age 62

Tier 6:

Less than 20 years = 1.67% per year
20 years = 1.75% per year for all service
More than 20 years = 35% plus 2% per year beyond 20 years of service
*Age 63 = earliest age

Disclaimer: *This document was prepared to help support and guide members as they navigate the retirement process. While we hope it serves as a helpful resource, it is not intended to be a complete or exhaustive list of retirement requirements. It also does not replace an individual consultation with the New York State Teachers' Retirement System (NYSTRS). Every member's circumstances are unique, so we*

encourage you to connect directly with NYSTRS to review your individual situation, ask questions, and confirm that you have completed all necessary steps before retirement.