

# Advance Payments



**The Teachers' Retirement System of the City of New York (TRS) is generally able to process a retirement benefit within three to five months of your effective retirement date. In order to provide you with retirement income as quickly as possible, TRS issues advance payments of your retirement allowance beginning with the payroll approximately one to two months following your effective retirement date. However, if your regular retirement allowance is available at that time, you would receive your regular retirement allowance instead.**

**This brochure provides answers to some common questions members may have about advance payments.**

## **Who is eligible to receive advance payments?**

Retirement-eligible members who file for retirement would generally begin receiving advance payments approximately one to two months after their effective retirement date. For example, a member with an effective retirement date between July 2 and August 1 would typically receive an advance payment on the August payroll.

Members who apply for retirement with deferred payability are not eligible to receive any payments until their effective payability date. Once they have reached their effective payability date, members retiring under deferred payability may receive advance payments.

## **How will I know if I will receive advance payments?**

If you will receive advance payments, TRS will send you a notification letter before you receive your first payment. The letter will indicate your advance payment amount and when you should expect to receive your first advance payment.

## **Why would I receive advance payments instead of my retirement allowance benefit?**

TRS can calculate an advance payment in an expedited manner, thereby ensuring that you begin receiving retirement income as soon as possible. However, in order to determine your regular retirement allowance, TRS must first ensure the accuracy of information related to your TRS account. This requires verifying salary and service information from your employer(s), calculating any service credit purchases, and factoring any loans and/or excess withdrawals at the time of your retirement. Occasionally, delays can occur in retirement processing if we are awaiting verification of information from other agencies.

## **How are advance payments calculated?**

TRS utilizes conservative calculations to determine the amount of advance payments. These payments are not estimates of your retirement allowance benefit; in fact, your advance payments are designed to be smaller than your retirement allowance payments. The advance payment calculations do not reflect all the factors used to determine your retirement allowance payments.

TRS calculates your advance payments based on your retirement plan choice, payment election, salary, and any applicable age-reduction factor. However, since TRS must verify your Total Service Credit before applying it to your retirement benefit, your final Total Service Credit would not be used in the advance payment calculations.

### **Is my first advance payment retroactive?**

Yes. Your first advance payment will be retroactive to your effective retirement date (or initial payability date, if you retired under deferred payability). You will continue to receive an advance payment every month until your regular retirement allowance is processed and implemented on payroll. Your first regular retirement allowance payment will contain the amount you are due from the date of retirement, minus the total amount of any advance payments you have received, plus interest at the annual rate of 5%.

### **How is federal tax withholding calculated for my advance payments?**

Federal taxes will be withheld from your first advance payment at the rate for a married person with three dependents; this default rate is required by the Internal Revenue Service (IRS). This withholding rate would continue for all advance payments and for your regular retirement allowance payments until you elect a new withholding rate. You may elect a new rate by filing an online election through our website or by filing a "Withholding Certificate for Pension or Annuity Payments"(W-4P) with TRS.

Please note that, if you have a permanent home address outside of the United States, IRS regulations prohibit you from electing to have no federal income tax withheld from your retirement benefits.

Your withholding election would generally take effect approximately two to six weeks after TRS receives your online W-4P filing, or approximately two months after TRS receives your hardcopy form.

You may wish to consult a tax professional before selecting a federal withholding rate for your payments.

*Note: If you live in New York, advance payments and retirement allowance payments are exempt from New York State and New York City taxes. If you live outside New York, your advance payments may be subject to taxation by the state or city in which you live.*

### **Will my advance payments be the same amount every month?**

Your first advance payment may contain retroactive funds, so subsequent advance payments may be smaller than your first payment. In addition, if you elect to change the amount of federal taxes withheld from your advance payments, the amount of your payments would be different after your federal withholding election is implemented.

Also note that union dues and other applicable deductions will be taken from your advance payments beginning with the second or third payment.

### **Would I receive a 1099-R form for my advance payments?**

Yes. You would receive a 1099-R form for the advance payments you receive during a calendar year. Any regular retirement allowance payments you receive during the same year would be reported on a separate 1099-R form. In addition, interest associated with retroactive retirement allowance payments would be reported on a separate 1099-INT form. 1099 forms are issued by January 31 of the year following the distribution. For more information on 1099 forms, please refer to the *1099 Forms* brochure.

### **Can I receive my advance payments via Electronic Fund Transfer (EFT)?**

Yes. You will be automatically enrolled to receive your retirement benefit payments (including advance payments) via EFT if you have been paid on the City of New York payroll through direct deposit while in active service. You do not need to do anything; these payments will be automatically deposited to your account via EFT.

If you are currently paid on the City of New York payroll through direct deposit, but want your retirement benefit payments (including advance payments) to be deposited via EFT to a different account, you may request this by filing an "EFT Election at Retirement Form" (code BK66).

If you are not currently paid on the City of New York payroll through direct deposit, but want your retirement benefit payments (including advance payments) deposited via EFT, you may request this by filing an “EFT Election at Retirement Form.”

**Note: Retiring TRS members who are not currently paid on the City of New York payroll through direct deposit MUST file either an “EFT Election at Retirement Form” or an “Opt Out of EFT at Retirement Form” (code BK67) in order to receive their advance and/or regular retirement allowance payments. Failure to file one of these forms would result in a delay in the payment of benefits.**

### **What if I disagree with the amount of my advance payments?**

Please remember that advance payments are based on conservative calculations. Your advance payments are designed to be smaller than your retirement allowance payments. If you still have concerns about the amount of your advance payments, you may call our Member Services Center; you may also send an inquiry in writing to TRS. TRS will review your advance payment calculation and issue a correction, if needed.

### **How will advance payments affect my retirement allowance payments?**

When your retirement allowance is calculated, it will be adjusted for any underpayments or overpayments. If your advance payments were smaller than your retirement allowance payments, your first regular retirement allowance payment will contain the amount you are due from the date of retirement, minus the total amount of any advance payments you have received, plus interest at the annual rate of 5%. If your account has a deficit due to advance payments that were greater than your retirement allowance payments would be, TRS would send you a letter outlining your repayment options.

### **How will I know when my retirement allowance has been processed?**

Shortly after TRS initiates the benefits process, we will send you a notification letter that indicates your effective retirement date, type of retirement for which you filed, and payment option you chose. When your retirement application has been processed, you will receive another letter that indicates when TRS would issue your first retirement allowance payment. Approximately a week before you receive your first regular retirement allowance payment, you will receive a Benefits Letter, which includes details on your monthly and annual retirement allowance, Final Average Salary.

For your convenience, TRS forms and publications are available on our website.  
If you require additional assistance, we encourage you to contact our Member Services Center at 1 (888) 8-NYC-TRS.

*This publication should not be solely relied upon, as it is based on currently available information that is subject to change. TRS suggests that you consult with an attorney and/or a tax advisor if you have any specific legal or tax questions concerning this information. In all cases, the specific provisions of the governing laws, rules, and regulations prevail.*



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