

NEW JERSEY
DIVISION OF PENSIONS AND BENEFITS



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FIND

RETIREMENT FACTS

INFORMATION FOR MEMBERS OF THE NEW JERSEY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
and
TEACHERS' PENSION AND ANNUITY FUND

Retirement Facts

Information for Members of the
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
and
TEACHERS' PENSION AND ANNUITY FUND

THIS PACKET INCLUDES:

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Fact Sheet #15, *Disability Retirement Benefits*
Fact Sheet #5, *Pension Options*
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Fact Sheet #13, *Conversion of Group Life Insurance*
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Fact Sheet #2, *Estimating the Cost of Purchasing Service Credit*
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Can I Afford to Retire? Worksheet
Request for a Retirement Estimate Form



New Jersey Division of Pensions and Benefits

PO Box 295 • Trenton, New Jersey 08625-0295

(609) 292-7524 • TDD for the hearing impaired (609) 292-7718

www.state.nj.us/treasury/pensions • E-mail: pensions.nj@treas.state.nj.us

The fact sheets and other information provided in this booklet is intended to provide guidance on retirement to members of the State-administered retirement systems. While every attempt has been made to assure the accuracy of the information, it cannot be guaranteed.

The complete terms governing the State-administered retirement systems and employee benefit programs discussed on this booklet are set forth in the New Jersey Statutes Annotated and the New Jersey Administrative Code. If there is are differences between the information presented here and the current statutes governing the plan or regulations implementing the statutes, the statutes and regulations will take precedence.

If you are unsure of, or have questions about, any aspect of your employee benefits, you should ask about them by contacting your employer representative or a counselor at the Division of Pensions and Benefits.

MEMBER BENEFITS ONLINE SYSTEM (MBOS)

LEARN MORE ABOUT YOUR PENSION BENEFITS!

As a New Jersey State-Administered Pension member, you may now access the Member Benefits Online System (**MBOS**).

MBOS is a set of Internet based applications that allow registered employees or retirees quick and easy access to their pension and, if applicable, health benefit account information.

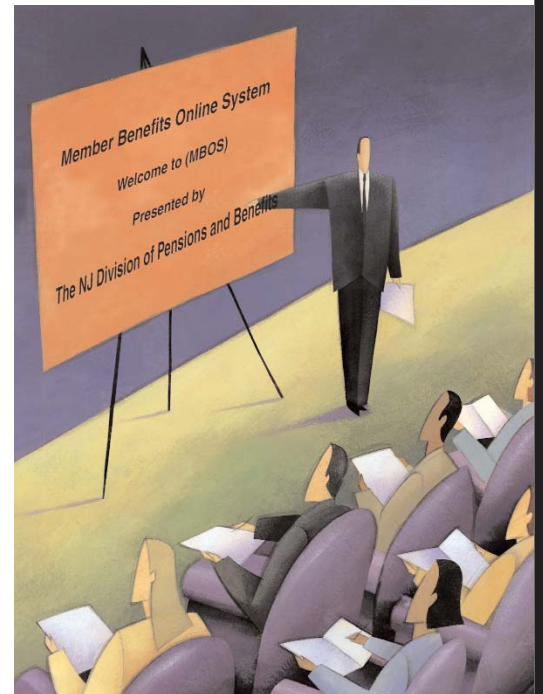
Available Online Resources Include

FOR EMPLOYEES

- Personalized Member Account Information;
- Pension Loans — Estimates and easy to use Online Loan Application;
- Online Application for the Purchase of Service Credit;
- Retirement Estimate Calculator and the Online Retirement Application;
- Retirement Application status *(for pending retirees)*;
- Designation of Beneficiary;
- Payroll Certifications;
- Health Benefits account information *(if applicable)*;
- SACT Plan information and State Deferred Compensation Plan link *(if applicable)*;
- Application for Withdrawal;
- Access to other Pension links and forms.

FOR RETIREES

- Personalized Retired Account Information and Pension Payment History;
- Retiree Change of Address;
- Direct Deposit/Electronic Funds Transfer;
- Federal and New Jersey State tax withholding forms.



Before you can begin using the system, you must be registered with **MBOS**.

SEE THE REGISTRATION INSTRUCTIONS ON THE BACK OF THIS FLIER.

If you encounter difficulty with the registration process or use of **MBOS**, please call the **MBOS** Help Desk, at (609) 777-0534.

ACCESS YOUR PENSION ACCOUNT ONLINE THROUGH THE MEMBER BENEFITS ONLINE SYSTEM (MBOS)

REGISTRATION INSTRUCTIONS FOR FIRST TIME USERS

To use MBOS you must register with both MBOS and the *myNewJersey* Web site. These instructions will guide you through both processes.

REGISTRATION FOR MBOS IS FREE READ AND FOLLOW THESE INSTRUCTIONS CAREFULLY!

STEP ONE — SET UP YOUR MBOS ACCOUNT WITH THE DIVISION OF PENSIONS AND BENEFITS

1. Go to: ***www.state.nj.us/treasury/pensions***
2. On the Division of Pensions and Benefits home page click the link “Register for MBOS.”
3. Read the “Disclaimer Page” that opens and click the “Continue” button if you are an Active Member or a Retiree.
4. Complete all of the information requested on the MBOS “Member Registration” page.
5. Be sure to select whether you are an **Active Member** or a **Retiree**.

You will need **both** your Social Security number **and** your pension Member ID Number or Retirement Number.

Your pension Member ID can be obtained from your employer or by contacting the Division's Office Client Services.

Your Retirement Number is printed on the Retirement Statement of Allowances and Deductions or can be obtained by contacting the Division's Office Client Services. If you registered for MBOS as an active member, do not register again – you can continue to use your Logon ID and Password from your active account.

Pension ID or Retirement Number: _____

6. When all of the information has been entered click the “Submit” button.

Note: *At this point, MBOS checks to see if you have already registered. If it finds that you are a registered MBOS user, it will automatically take you to the myNewJersey “Log On Page”. If the “Log On Page” opens, see the MBOS log on instructions for registered users.*

Otherwise, continue to item #7.

7. The *myNewJersey* Account Page will open.

STEP TWO — SIGN-ON TO, OR CREATE, YOUR *myNewJersey* ACCOUNT

- If you already have a *myNewJersey* account, click "Yes" on the *myNewJersey* Account Page and follow these directions **starting with item #1** on the next page.
- If you **do not** have a *myNewJersey* account, you need to create one. Click "No" on the *myNewJersey* Account Page and follow these directions **starting with item #4** on the next page.

MBOS REGISTRATION INSTRUCTIONS FOR FIRST TIME USERS *(Continued)*

1. If you already have a *myNewJersey* account, enter your **Log On ID** and **Password** on the *myNewJersey* Account Page.
2. When done, click the “Link MBOS to My Account” button.
3. Proceed to “STEP THREE”

If you do not have a myNewJersey account, Start Here!

4. To create your personal *myNewJersey* account, enter all of the information requested on the *myNewJersey* Account Page.
5. Be sure to select a **Log On ID** and **Password** that is easy to remember!

Note: *Forgotten Log On IDs and Passwords are the most common problem members have when using MBOS. Be sure that you can remember your Log On ID and Password for future use.*

Passwords must be at least 6 characters long and chosen from at least two of these groups: lowercase letters, uppercase letters, digits, and other characters (except space, quotes and \).

6. When done, click the “Create this new myNewJersey Account and Link MBOS to it” button.
7. Proceed to “STEP THREE”

STEP THREE — START USING MBOS

1. Once you successfully create, or link to, your *myNewJersey* account your “MBOS Home Page” will open.

Members with Multiple User Roles

If you have MBOS access to other pension fund accounts or employer access to the *Employer Pensions and Benefits Information Connection* (EPIC), you will need to select the "user role" you wish open each time you log on to MBOS or EPIC.

After you log on to MBOS or EPIC you can click the "Select Different Role" button to leave the current MBOS or EPIC session and access your other accounts or user roles.

2. From the MBOS Home Page you can access the MBOS Applications that are currently available to active or retired members. MBOS Applications provide information about your pension account and link you to benefit calculators and online application forms.

Additional information about using MBOS Applications is provided online in the MBOS User's Guide — just click the “Search Help” button on the MBOS Home Page.

If you need help, call the MBOS Help Desk at: (609) 777-0534

More Pension Information Less Wait-time! **WHEN USING THE** ***COUNSELING APPOINTMENT SYSTEM!***

MAKE YOUR APPOINTMENT TODAY AT:

www.state.nj.us/treasury/pensions

THE NEW COUNSELING APPOINTMENT SYSTEM IS EASY TO USE:

- Select link for Counseling Interviews
- Select number of pension members (1 or 2)
- Select an interview type
- Click on the Appointment Calendar, enter a date and interview time
- Complete the member information form to prepare the counselor for your visit
- Click the submit button to complete your registration



INTERVIEW TYPES

- Purchase of Service Credit
(detailed and complex issues)
- Pre-Retirement Interview
(within 2 years of retirement date)
- Retirement Application
(detailed assistance and application submission)
- Disability Retirement *(interview and application submission)*
- Retired Health Benefits
(coverage and enrollment issues)
- Retiree Counseling When Returning to Public Employment
- Account Discrepancy Inquiry
(Active or Retired Pension)
- Death Claim Assistance
(for beneficiaries)

Contacting the Division of Pensions and Benefits

Mailing Address

Division of Pensions and Benefits
PO Box 295
Trenton, NJ 08625-0295

Be sure to include your **membership number** or **Social Security number** and **daytime telephone number** on all correspondence. Please keep a copy of all correspondence for your records.

Division of Pensions and Benefits Internet Address/URL — www.state.nj.us/treasury/pensions

Division of Pensions and Benefits E-mail Address — pensions.nj@treas.state.nj.us

Counseling Services

One State Street Square
50 West State Street
1st Floor
Trenton, New Jersey

The Division of Pensions and Benefits offers one-on-one counseling services **by appointment** to members of the retirement systems and other benefit programs. Counselors are available Monday through Friday (except State holidays) from 7:40 a.m. to 3:30 p.m. Appointment reservations can be made through the Division of Pensions and Benefits Web site: www.state.nj.us/treasury/pensions

The drop-off of completed forms is available without an appointment during normal business hours.

Telephone Numbers

Office of Client Services — (609) 292-7524

General information from a pension counselor. Counselors are available Monday through Friday (except State holidays) from 8:00 a.m. to 4:00 p.m.

Automated Information System — (609) 777-1777

Loan, withdrawal, and account information, along with purchase cost and retirement estimates. Available 24 hours a day, 7 days a week.

TDD (for the hearing impaired) — (609) 292-7718

Hearing impaired members can access telephone counselors Monday through Friday (except State holidays) from 8:00 a.m. to 4:00 p.m.

Change of Address — (609) 292-MOVE (6683)

Retired members can call to notify the Division of a change of address, Monday through Friday (except State holidays) from 8:00 a.m. to 4:00 p.m.

Additional Telephone Numbers

Internal Revenue Service	1-800-TAX-1040 (1-800-829-1040)
New Jersey Division of Taxation	1-800-323-4400
State Employees Deferred Compensation Plan	1-866-NJSEDCP (1-866-657-3327)
Supplemental Annuity Collective Trust (SACT)	(609) 633-2031
New Jersey Division on Aging	1-800-792-8820
Senior Citizens Information and Referral	1-800-792-8820
Veterans Administration	1-800-827-1000
New Jersey Bureau of Securities	(973) 504-3600
Social Security Administration	1-800-SSA-1213 (1-800-772-1213)

Social Security Internet Address/URL — www.socialsecurity.gov

Directions to the Division of Pensions and Benefits

The Division of Pensions and Benefits is located at **50 West State Street (One State Street Square)** which is one half-block east of the State House.

Counseling interviews are available by appointment. Appointment reservations can be made through the Division of Pensions and Benefits Web site: www.state.nj.us/treasury/pensions

The drop-off of completed forms is also available without an appointment during normal business hours.

The directions below will take you to the parking garage next door to the Division of Pensions and Benefits. **You must pay to park in the parking garage.** (If garage is full, use the pay lot off Barnes St.)

When leaving the garage, you will be facing the side of One State Street Square. Turn left and walk to the front entrance of the building (on West State Street). Check in with the guard in the main lobby where you will be directed to the Office of Client Services.

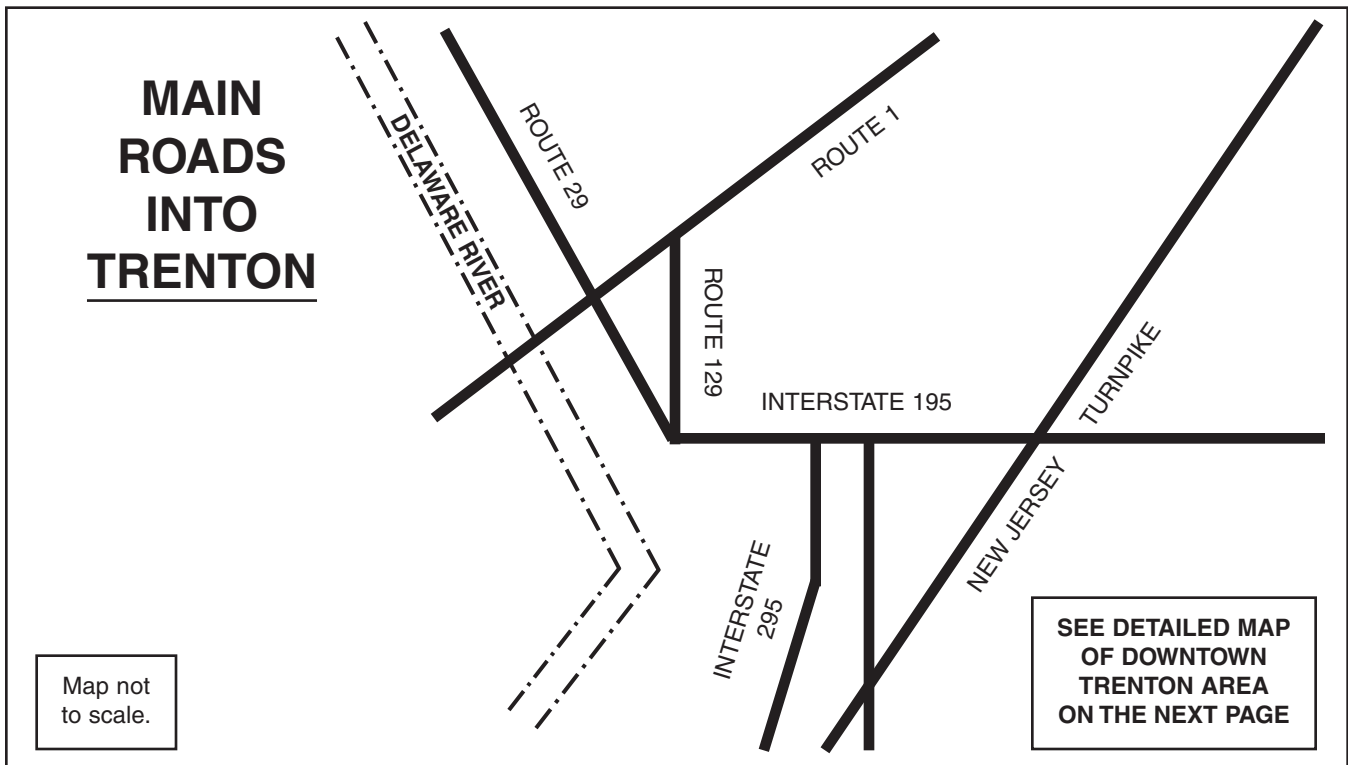
From Northeast New Jersey via the NJ Turnpike

Take the **NJ Turnpike South** to **Exit 7A**. Follow **I-195 West** until it ends, then follow the signs for **Route 29**. After passing through a tunnel and two traffic lights, take the **Calhoun Street** exit. At the first traffic light turn right onto **West State Street**. After passing through a traffic light, turn left at the next corner onto **Chancery Lane**. One-half block up a the multilevel parking garage on the left.

From Northeast New Jersey via Route 1

Take **Route 1 South** toward Trenton. Just north of Trenton, Route 1 splits into 2 roads. Stay to the left (do not use Route 1 Alternate). From Route 1 take the **Perry Street** exit. At the end of the exit ramp, turn left onto Perry Street. At the fourth traffic light after turning onto Perry Street turn left onto **Warren Street**. At the second traffic light turn right onto **West State Street**. At the next corner turn right onto **Chancery Lane**. One-half block up is a multilevel parking garage on the left.

From Northwest New Jersey



Take **Route 31 South** to **I-95 South** to **Exit 1** (I-95 and Route 29). Follow **Route 29 South** for 5 miles to the **Calhoun Street** exit. At the first traffic light, turn right onto **West State Street**. After passing through a traffic light, turn left at the next corner onto **Chancery Lane**. One-half block up is a multilevel parking garage on the left.

From Southern New Jersey

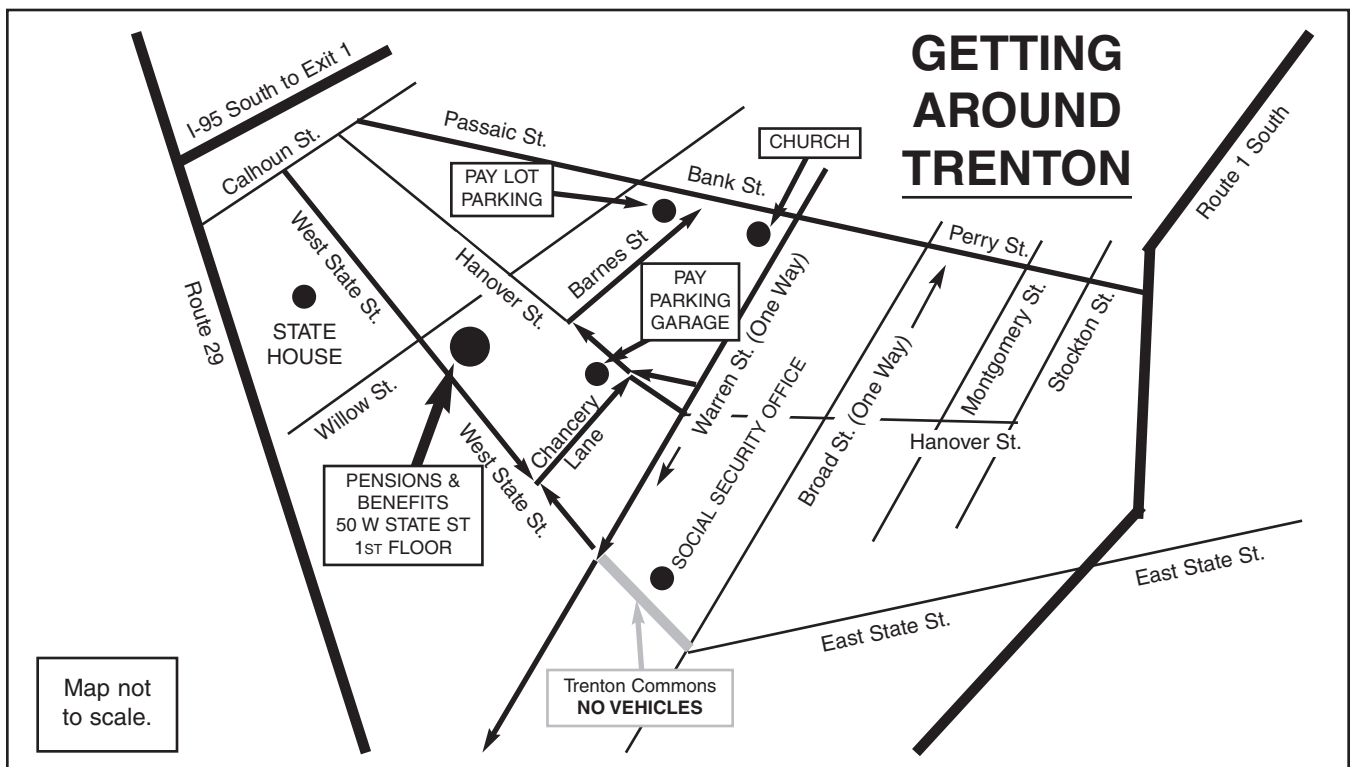
If using the NJ Turnpike, take **Exit 7A** and follow the directions from Northeast New Jersey via the NJ Turnpike (on previous page).

If using I-295 North, take **Exit 60** to **Route 29** and follow the directions for using **Route 206 North** (below) beginning with Route 29.

If using **Route 206 North**, about 4 miles before reaching center-city Trenton take the **I-295** exit but, once on the interstate highway, follow the signs for **Route 29**, not I-295. After passing through a tunnel and two traffic lights, take the **Calhoun Street** exit. At the first traffic light turn right onto **West State Street**. After passing through a traffic light, turn left at the next corner onto **Chancery Lane**. One-half block up is a multilevel parking garage on the left.

From the New Jersey Shore Areas

Take **I-195 West**, then follow the directions from Northeast New Jersey via the NJ Turnpike (on previous page).



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Applying for Retirement

Public Employees' Retirement System • Teachers' Pension and Annuity Fund

BEFORE YOU RETIRE

You should inquire about retirement at least six months before your retirement date. This will give you enough time to review your benefits and options. You may also request an *Estimate of Retirement Benefits*, which estimates your monthly retirement allowance, the benefits payable to your beneficiary upon your death under the various retirement options, and your life insurance benefits.

Obtain a Retirement Estimate

Members within two years of retirement can obtain an estimate of retirement benefits using the **Member Benefits Online System (MBOS)**. Estimates obtained through MBOS provide the most accurate information available by using the service and salary information currently posted to your account. You must be registered with MBOS. Registration is free. To begin the registration process, go to: www.state.nj.us/treasury/pensions/mbosregister.shtml (select "Online Member Services - MBOS").

You can also hear an estimate of retirement benefits over the phone by calling the Division of Pensions and Benefits' Automated Information System at (609) 777-1777.

Or you can submit a *Request for Retirement Estimate* form which is available from your benefits administrator, the Division's Web site (select "Forms and Publications"), or by calling the Office of Client services at (609) 292-7524. The form must be forwarded to the Division. Please allow four to six weeks for manual processing.

If you provide us with the name and birth date of your beneficiary, we will estimate your Maximum Allowance along with alternate payment options to your beneficiary.

SUBMITTING YOUR APPLICATION

Applying for Retirement

You must meet all of the eligibility requirements for retirement and cannot submit an application more than one year prior to your retirement date. (Members eligible for a Deferred Retirement may file more than one year in advance upon termination of employment.)

The *Application for Retirement Allowance* can be submitted online using the Member Benefits Online System (MBOS). This is an easy, secure, and accurate way to apply for retirement.

You can also obtain an *Application for Retirement Allowance*:

- by printing it from the Division of Pensions and Benefits Web site at:
www.state.nj.us/treasury/pensions
- by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295;
- by contacting the Office of Client Services at (609) 292-7524; or
- by e-mail request to:
pensions.nj@treas.state.nj.us

Whether you apply for retirement online through MBOS or by written application, be sure to carefully read the instructions and the fact sheets about retirement prior to submission.

All retirements are effective the first of a month. Your application must be received by the Division of Pensions and Benefits before your retirement date. **Under no circumstances can a retirement become effective prior to the date the application is received by the Division of Pensions and Benefits.**

It is your responsibility to file for retirement. Four to six months advance filing is recommended. Processing times vary and cannot begin until we have received all the necessary information from both you and your employer. **Your employer will be notified that you have filed an application for retirement.**

If you have not furnished proof of your age to the Division of Pensions and Benefits, you must submit a photocopy of your proof of age to the Division.

Proof of age for your beneficiary is required under Options A, B, C, D, 2, 3, and 4. For an explanation of your options at retirement see Fact Sheet #5, *Pension Options*.

Note: Members should allow additional processing time for Option 4 retirements with multiple beneficiaries.

If you retire with an outstanding loan balance, you must decide how you wish to repay your loan. You may:

- pay the loan *in its entirety* prior to receiving any benefits; or
- continue your monthly loan repayment schedule into retirement until the loan balance *plus interest* has been repaid.

TYPES OF RETIREMENT

With the passage of recent legislation the enrollment and retirement criteria has changed for PERS and TPAF members enrolled as of certain dates. These differences in PERS and TPAF membership — referred to as “**membership tiers**” are defined as follows:

- **Membership Tier 1** — Members who were enrolled *prior to* July 1, 2007.
- **Membership Tier 2** — Members who were eligible to enroll *on or after* July 1, 2007 and *prior to* November 2, 2008 — pursuant to the provisions of Chapters 92 and 103, P.L. 2007.
- **Membership Tier 3** — Members eligible to enroll *on or after* November 2, 2008 and *on or before* May 21, 2010 — pursuant to the provisions of Chapter 89, P.L. 2008.

- **Membership Tier 4** — Members eligible to enroll *after* May 21, 2010 — pursuant to the provisions of Chapter 1, P.L. 2010.

Please note: Age requirements and benefit formulas for certain types of retirement vary by membership tier.

There are several types of retirement for which you may qualify.

Service Retirement

Available to **Tier 1** and **Tier 2** members upon reaching age **60** or older; or to **Tier 3** and **Tier 4** members upon reaching age **62** or older. No minimum amount of pension service credit is required. The formula to calculate the maximum annual pension for **Tier 1**, **Tier 2** and **Tier 3** is:

$$\frac{\text{Years of Service}}{55} \times \text{Final Average Salary} = \text{Maximum Annual Allowance}$$

The formula to calculate the maximum annual pension for **Tier 4** is:

$$\frac{\text{Years of Service}}{60} \times \text{Final Average Salary} = \text{Maximum Annual Allowance}$$

For example: A **Tier 1** member with 22 years of service would receive 22/55 or 40% of Final Average Salary. You receive a slightly higher percentage for each additional month of service.

‘**Years of Service**’ means the amount of membership credit you have accumulated in your account.

‘**Salary**’ means the base salary on which your pension contributions are based. It does not include extra pay for overtime or money given in anticipation of your retirement.

‘**Final Average Salary**’ for a PERS or TPAF member enrolled *on or before* May 21, 2010 (membership **Tier 1**, **Tier 2**, and **Tier 3**) Final Average Salary means the average salary for the 36 months (30 months for employees with 10 month contracts) immediately preceding your retirement. If your last three years are not your highest years of salary, your allowance will be calculated using your three highest fiscal years (July - June) of salary. If this is the case, you must indicate it on your retirement application.

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For a PERS or TPAF member enrolled *after* May 21, 2010 (membership **Tier 4**), “Final Average Salary” is the average of your salary for the last 60 months (50 months for employees with 10 month contracts) immediately preceding your retirement. If your last **five** years are not your highest years of salary, your allowance will be calculated using your five highest fiscal years (July - June) of salary.

Note: If your last years of salary are not your highest years, you must indicate it on the retirement application.

Early Retirement

Available to members who have 25 years or more of pension membership service credit before reaching age **60** for **Tier 1** and **Tier 2** members, or age **62** for **Tier 3** and **Tier 4** members. The benefit is calculated using the Service Retirement formula that applies to the membership tier.

- **For Tier 1 members** who retire before age **55**, your allowance is reduced 1/4 of 1 percent (3 percent per year) *for each month under age 55*.

For example: If you retire at age 54, you will receive 97 percent of your full retirement allowance. If you retire between the ages of 55 and 60, there is no reduction.

- **For Tier 2 members** who retire before age **60**, your allowance is reduced 1/12 of 1 percent (1 percent per year) *for each month under age 60 through age 55, and* 1/4 of 1 percent (3 percent per year) *for each month under age 55*.

For example: If you retire at age 54, you will receive 92 percent of your full retirement allowance. If you retire at age 57 you will receive 97 percent of your full retirement allowance.

- For **Tier 3** and **Tier 4** members who retire before age **62**, your allowance is reduced 1/12 of 1 percent (1 percent per year) *for each month under age 62 through age 55, and* 1/4 of 1 percent (3 percent per year) *for each month under age 55 (Note: While the age reduction amount for Tier 3 and Tier 4 is the same, the retirement calculation formulas are different. See Service Retirement on page 2)*

For example: If you retire at age 54, you will receive 90 percent of your full retirement allowance. If you retire at age 57 you will receive 95 percent of your full retirement allowance.

Veteran Retirement

Available to qualified military veterans. If you are not already listed as a veteran on the Division of Pensions and Benefits’ records, you should submit a copy of your *Form DD 214* or discharge papers showing both your induction and discharge dates to:

NJ Department of Military and Veterans Affairs
ATTN: DVP-VBB
PO Box 340
Trenton, NJ 08625-0340

Attach a note to the discharge papers indicating that you want to obtain veteran status for pension purposes and include your address on the note.

For additional information see Fact Sheet #17, *Veteran Status*.

Qualified veterans must be in active employment until the effective date of retirement or must have met the requirements for a Veteran Retirement as of their termination date. The age requirements for calculating a Veteran retirement are the same for membership **Tier 1**, **Tier 2**, **Tier 3** and **Tier 4**. A qualified veteran may retire with:

- 25 years of service credit at age 55 or older; or
- 20 years of service credit at age 60 or older; or
- 35 years of service credit at age 55 or older.
- Veterans meeting the age requirement with between 20 and 34 years of service credit will retire with an annual benefit equal to 54.5 percent of the salary upon which pension contributions were based during the last year of employment or highest 12 consecutive months of base salary.
- Veterans with 35 or more years of service credit at age 55 or older are entitled to an annual allowance based on the following formula:

$$\begin{array}{rcl} \text{Years of Service} & \times & \text{Highest 12} & = & \text{Maximum} \\ \mathbf{55} & & \text{Consecutive} & & \text{Annual} \\ & & \text{Months of Salary} & & \text{Allowance} \end{array}$$

Veteran members may retire on a Service Retirement if that provides a higher benefit.

Deferred Retirement

Available to members who have at least 10 years of pension membership service credit (but less than 25 years) and who are not yet **60** years of age for **Tier 1** or **Tier 2** members, or **62** years of age for **Tier 3** or **Tier 4** members, when they terminate employment.

You must file an *Application for Retirement Allowance* **before** the Deferred Retirement can become effective and payments can begin. After filing and upon reaching age 60 (age 62 for Tier 3 and Tier 4 members), you will begin to receive a retirement allowance based on the Service Retirement formula. If you do not file before you attain age 60 (age 62 for Tier 3 and Tier 4 members), your retirement will be effective on the first on the month *after* the Division of Pensions and Benefits receives your properly completed retirement application.

If you return to PERS or TPAF covered employment before your Deferred Retirement becomes effective, you may cancel your retirement and are eligible to maintain your original membership tier status provided you have not withdrawn your membership and it has not been more than two consecutive years since your last pension contribution. If, however, there has been a break in service of more than two consecutive years since your last pension contribution, or if you have withdrawn your account, you will be enrolled in a new PERS or TPAF account under the “membership tier” in effect at the time you return to employment.

Your group life insurance coverage is not in effect between the time you terminate employment and your Deferred Retirement becomes effective. If you die between the time you terminate employment and your retirement becomes effective, the beneficiary on your Deferred Retirement application will receive the return of your pension contributions with interest. If you have terminated employment and not filed for Deferred Retirement, the last named beneficiary on your account will receive the return of your pension contributions with interest. There is no other death benefit under these circumstances. At any time before

your Deferred Retirement becomes effective you may change your mind and apply for withdrawal of your contributions instead. Once you cancel your Deferred Retirement and withdraw your contributions, all rights and privileges of pension membership end.

If a member is removed from employment for cause on charges of misconduct or delinquency, the member would be **ineligible** for deferred retirement benefits.

DISABILITY RETIREMENT

Disability retirement benefits are **only** available for **Tier 1, Tier 2** and **Tier 3** members. See Fact Sheet #15, *Disability Retirement*, for additional information.

Under the provisions of Chapter 3, P.L. 2010, **Tier 4** members *may* be eligible for disability insurance coverage. See your employer or contact the Division of Pensions and Benefits, Office of Client Services for more information.

SURVIVOR BENEFITS

Payment options are available that provide a portion of your pension benefit for a surviving spouse/partner, child, or other beneficiary. Please see Fact Sheet #5, *Pension Options*, for more information.

GROUP LIFE INSURANCE

Group Life Insurance for retired members of the PERS or TPAF who enrolled on or after July 1, 1971, is payable only if the member retired with 10 or more years of pension membership credit or retired on a disability retirement.

RETIRED GROUP LIFE INSURANCE

PERS Insurance Coverage While Retired

Type of Retirement	Death Before Age 60	Death After Age 60
Disability	1½	3/16
Early & Veteran	3/16	3/16
Deferred Service	None	3/16
	N/A	3/16

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TPAF Insurance Coverage While Retired

Type of Retirement	Member with Noncontributory Insurance Only		Member with Both Noncontributory and Contributory Insurance	
	Death Before Age 60	Death After Age 60	Death Before Age 60	Death After Age 60
Disability	1½	3/16	1¾	7/16
Early & Veteran	3/16	3/16	7/16	7/16
Deferred Service	None	3/16	None	7/16
	N/A	3/16	N/A	7/16

Note: The fractions shown on page 4 apply to the total base salary upon which pension contributions were based during the year preceding retirement (or for TPAF members only the highest contractual year).

Designating a Beneficiary

At retirement, you are asked on your application to name a beneficiary(ies) for pension benefits and separately name beneficiaries for group life insurance benefits. Some restrictions apply to who may be named for pension benefits, however, you may name any person, organization, your estate, or trust as beneficiary for group life insurance benefits. When a retired member dies, the named beneficiaries are entitled to the payment of any group life insurance benefits (certain restrictions apply in cases of divorce, see Fact Sheet #42, *Divorce and Your Retirement Benefits*, for details). Please note that the beneficiary designation indicated on your retirement application will supersede all prior designations, even if your retirement is not yet effective or if you cancel your retirement. The Division of Pensions and Benefits will honor this as your most recent beneficiary designation on file, unless another *Designation of Beneficiary* form is filed **after** the retirement application.

You may change your group life insurance designation at any time during your retirement by filing a properly completed *Designation of Beneficiary* form. The *Designation of Beneficiary* form can be obtained by contacting the Division or on our Web site at: www.state.nj.us/treasury/pensions

If you have additional questions regarding designations, please see Fact Sheet #68, *Designating a Beneficiary*.

For your protection, beneficiary designations cannot be accepted or confirmed over the telephone or by e-mail. The Division will only accept a written request from the member.

Note: If, after you file your retirement application, you die prior to your retirement date, any retirement benefits payable to a beneficiary cannot be paid until the retirement date that you designated on your retirement application (Chapter 221, P.L. 1995).

Conversion

For most members, group life insurance is reduced at retirement. You have 31 days after termination of employment to convert the amount of insurance that was reduced to private individual insurance coverage. If you wish to supplement this coverage with either a conversion policy from the Prudential Life Insurance Company, or a policy from another insurance carrier, it is best to begin exploring your options at least four to six months prior to your retirement. However, **you cannot file to convert your life insurance any earlier than six months prior to your retirement date.**

To estimate the cost of conversion to a private policy with the Prudential Life Insurance Company, contact a Prudential agent or use the conversion calculator on the Division of Pensions and Benefits Web site.

For additional information see Fact Sheet #13, *Conversion of Group Life Insurance*.

HEALTH BENEFITS

Your Application for Retirement Allowance does not automatically enroll you in retired health benefits coverage.

Employees who are covered by the State Health Benefits Program (SHBP) or School Employees' Health Benefits Program (SEHBP) through their employer will be offered retired group SHBP or SEHBP coverage when they retire. In addition, some employers have agreed to pay for the cost of SHBP or SEHBP coverage for retirees with 25 or more years of service credit (and in some cases retirees on disability retirements).

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If eligible for SHBP or SEHBP retired group coverage, you will receive a letter approximately three months before your retirement date offering you enrollment in the SHBP or SEHBP.

Fact Sheet #11, *Enrolling in Health Benefits Coverage When You Retire*, provides information about continuing your SHBP or SEHBP coverage in retirement.

If you are not covered by the SHBP or the SEHBP, contact your employer about your options for continuing your health benefits coverage.

COST-OF-LIVING ADJUSTMENTS

The Pension Adjustment Program provides cost-of-living adjustments (COLA) to you and your eligible survivors if you are receiving a monthly retirement allowance from one of the state-administered retirement systems. The first adjustment is available in the 25th month after your retirement. Subsequent cost-of-living adjustments are computed annually and the adjustment is reflected in the February 1st check (which is payment for the month of January). If your spouse/partner or other beneficiary is entitled to receive a monthly pension upon your death, the COLA will be applied to that benefit based upon your year of retirement. See Fact Sheet #18, *Cost-of-Living Adjustments*, for further information.

CANCELLING OR CHANGING YOUR RETIREMENT DATE

The following are some important points to remember if you consider changing your retirement to a later date or canceling your retirement:

- You may change or cancel your retirement up until 30 days immediately following your retirement date, or 30 days after the approval of your retirement by the Board of Trustees, whichever is later.

Note: You cannot cancel or change the date for a *disability retirement* once it has been approved by the Board of Trustees.

- If you cancel or change your retirement date, it is your responsibility to notify your employer to ensure that any active health benefits are not canceled and your employment remains uninterrupted.
- Canceling or changing your retirement date does not guarantee continued employment with your employer.

EMPLOYMENT AFTER RETIREMENT

Before you consider returning to any public employment, contact the Division of Pensions and Benefits and request Fact Sheet #21, *Employment After Retirement (PERS)* or Fact Sheet #28, *Employment After Retirement (TPAF)*, for the procedures to follow when returning to public employment in New Jersey.

Additional return to employment conditions apply, including a required break in employment without pay of *at least 30 days* immediately following your retirement date, or 30 days after the approval of your retirement by the Board of Trustees.

FACT SHEETS AND FORMS

The fact sheets, forms, and other publications mentioned above are available from your employer, by contacting the Division of Pensions and Benefits, or over the Internet at:

www.state.nj.us/treasury/pensions

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(609) 292-7524 • TDD for the hearing impaired (609) 292-7718**

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Disability Retirement Benefits

Public Employees' Retirement System • Teachers' Pension and Annuity Fund

Ordinary Disability and Accidental Disability Retirement is **only** available to PERS or TPAF members enrolled *on or before* May 21, 2010 (membership **Tier 1**, **Tier 2**, and **Tier 3**).

Under the provisions of Chapter 3, P.L. 2010, PERS or TPAF members enrolled *after* May 21, 2010, (membership **Tier 4**) *may* be eligible for disability insurance coverage. See your employer or contact the Division of Pensions and Benefits, Office of Client Services for more information.

ORDINARY DISABILITY

The processing of Ordinary Disability retirement benefits normally takes 6 to 8 months. To qualify for Ordinary Disability retirement benefits you must:

- have an active pension account (active membership ceases after discontinuance of pension contributions for more than two consecutive years¹ or withdrawal of member contributions from the retirement system); and
- have 10 or more years of New Jersey service credit in the pension system (**the purchase of out-of-state, military, and U.S. government civilian service cannot be used to attain the 10 years**); and
- be considered permanently and totally disabled (you must prove that you are physically or mentally incapacitated from performing your normal or assigned job duties or any other position that your employer may assign.
- provide any and all medical reports or corroborating evidence on file that supports your disability.

If the medical documentation supplied by you is not sufficient to support your claim of disability, you may be required to be examined by physicians selected by the retirement system. The examination will be

¹Special rules apply for former members who discontinued service after two years and terminated employment because of a disability. Contact the Division of Pensions and Benefits for more information.

scheduled at no cost to you by the Division of Pensions and Benefits.

If you qualify for an Ordinary Disability retirement benefit, the annual benefit is equal to 43.6 percent of your Final Average Salary (FAS).

“Final Average Salary” means your average salary for the 36 months (30 months for members paid on a 10 month basis) immediately preceding your retirement on which pension contributions were taken. If your last 36 months are not your highest years of salary, your allowance may be calculated using your three highest fiscal years (July 1 to June 30) of salary. If this is the case, please indicate on your retirement application that you had higher fiscal years of salary.

Calculation Example: In the 36 months prior to retirement, a member’s average salary was \$45,000. After approval of Ordinary Disability retirement benefits, the member would be entitled to an annual benefit of \$19,620 ($\$45,000 \times 0.436$) under the Maximum Option (see Fact Sheet #5, *Pension Options*, for an explanation of other options that provide for survivor benefits).

The retirement benefit is not reduced by any Social Security, Workers’ Compensation, or private insurance benefits that may be payable. However, any Workers’ Compensation award you receive may be reduced. See your employer for details.

Ordinary Disability retirement benefits are subject to federal tax to the same extent as other pensions; your benefits are not subject to New Jersey State income tax until you reach age 65.

ACCIDENTAL DISABILITY

The processing of Accidental Disability retirement benefits normally takes 6 to 8 months. To qualify for Accidental Disability retirement benefits you must:

- have an active pension account (active membership ceases after discontinuance of pension contributions for more than two consecutive years¹);

- be considered permanently and totally disabled (you must prove that you are physically or mentally incapacitated from performing your normal or assigned job duties or any other position that your employer may assign.) as a “direct result of a traumatic event” (see definition below), that happened during and as a direct result of carrying out your regular or assigned job duties;
- be an active member of the PERS or TPAF on the date of the “traumatic event” ;
- file an *Application for Disability Retirement* within five years of the date of the “traumatic event”;
- be examined by physicians selected by the retirement system at no cost to you; and
- provide any and all accident reports, witness reports, and corroborating evidence on file for any and all accidents for which you are filing.

‘**Direct Result of a Traumatic Event**’ has been defined by the courts as an occurrence that is:

- identifiable as to time and place;
- undesigned and unexpected;
- caused by a circumstance external to the member (not the result of pre-existing disease that is aggravated or accelerated by the work);
- occurred during and as a result of the member’s regular or assigned duties;
- was not the result of the member’s willful negligence; and
- results in the member’s permanent and total incapacitation from performing his or her usual or any other duty.

When there is an issue of mental incapacity, the member must also establish that:

- the disability results from direct personal experience of a terrifying or horror-inducing event that involves actual or threatened death or serious injury, or a similarly serious threat to the physical integrity of the member or another person; and
- the event that forms the basis for an accidental

disability pension cannot be inconsequential and must be objectively capable of causing a reasonable person in similar circumstances to suffer a disabling mental injury.

If you qualify for an Accidental Disability retirement benefit, you will receive 72.7 percent of your base salary at the time of the traumatic event.

Calculation Example: On the date of the traumatic event that caused the member’s disability, a member’s annual salary was \$45,000. After approval of Accidental Disability retirement benefits, the member would be entitled to an annual benefit of \$32,715 ($\$45,000 \times 0.727$) under the Maximum Option (see Fact Sheet #5, *Pension Options*, for an explanation of other options that provide for survivor benefits).

If you are receiving periodic Workers’ Compensation benefits, your Accidental Disability retirement benefits will be reduced dollar for dollar by the periodic benefits paid after your retirement date. The retirement benefit is not reduced by any Social Security or private insurance benefits that may be payable.

The Division of Pensions and Benefits reports your Accidental Disability retirement benefit as exempt from federal income tax; your benefits are not subject to New Jersey State income tax until you reach age 65.

If you apply for Accidental Disability retirement and are found by the Board of Trustees to be permanently and totally disabled, but not because of a traumatic event or the event was not the primary cause of your disability, you will be retired on an Ordinary Disability if you have 10 years of New Jersey service in the retirement system. You may be offered a Service or Early Retirement depending on your age and service credit at the time the application is received.

APPLYING FOR DISABILITY RETIREMENT BENEFITS

The *Application for Disability Retirement* can be submitted online using the **Member Benefits Online System** (MBOS). Before you can begin using the system, you must be registered with MBOS. Registration is free. To begin the MBOS registration process go to our Web site at:

www.state.nj.us/treasury/pensions/mbosregister.shtml

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You can also obtain an *Application for Disability Retirement*:

- by printing the application from the Division of Pensions and Benefits Web site at: www.state.nj.us/treasury/pensions
- by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295;
- by contacting the Office of Client Services at (609) 292-7524; or
- by e-mail request to: pensions.nj@treas.state.nj.us

The *Application for Disability Retirement* includes forms for your physicians to complete and a release for any hospital records related to your disability. Applicants for disability retirement must submit all supporting hospital and physician records using the forms provided with the application. Two forms of medical documentation are required; i.e. a statement from two treating physicians or one statement and records from a hospital stay related to the disability. Applications and supporting documents should be submitted to:

**Division of Pensions and Benefits
Disability Review Unit
PO Box 297
Trenton, NJ 08625-0297**

All medical information is kept confidential and used only by the Board of Trustees in reviewing the claim.

You must pay for the cost of any medical documentation that may be required to prove your claim.

For example, if you had a hospital stay due to your disability and the hospital charges for the duplication of medical records from your stay, you would be responsible for any cost involved. The more complete the application, the faster it can be processed.

OTHER INFORMATION

In order to be eligible to receive either Ordinary or Accidental Disability retirement benefits, you must terminate all retirement system covered employment prior to your retirement date.

Your employer has the right to apply for an involuntary disability retirement on your behalf.

The approval of Workers' Compensation or Social Security disability benefits has no bearing on your application for disability retirement from the retirement system.

If you retire with an outstanding loan balance, your monthly loan repayment schedule will continue into retirement until the loan balance plus interest has been repaid.

Group Life Insurance

Most members of the retirement system are covered by group life insurance. If you are covered immediately prior to your retirement, you are entitled to reduced coverage in retirement as follows:

PERS Members

If you retire on a disability retirement, you are covered by group life insurance in the amount of 1½ times your final salary until age 60. At age 60 your life insurance coverage automatically reduces to 3/16 of your final salary.

TPAF Members

- If you retire on a disability retirement with contributory and noncontributory group life insurance, you are covered by group life insurance in the amount of 1¾ times your final salary until age 60, when your life insurance coverage automatically reduces to 7/16 of your final salary.
- If you retire on a disability retirement with noncontributory group life insurance *only*, you are covered by group life insurance in the amount of 1½ times your final salary until age 60, when your life insurance coverage automatically reduces to 3/16 of your final salary.

Conversion

When your group life insurance is reduced, you have 31 days to convert the amount of insurance reduced to private individual insurance coverage. Please see Fact Sheet #13, *Conversion of Group Life Insurance*, for more detailed information.

Employment after Retirement

Since Ordinary and Accidental Disability benefits are considered retirement benefits, you no longer accumulate pension membership credit in the retirement system after approval by the Board of Trustees. Normally, all PERS and TPAF disability retirees are subject to an annual earnings test. If your pension, when added to the earnings from any employment, exceeds what your former position currently pays, your pension will be reduced dollar for dollar by the excess earnings over the current salary of your former position. Each year the Division of Pensions and Benefits may request copies of your previous year's federal tax return, *W-2* forms, and *Form 4506T*.

If you are a disability retiree, before you can return to active service in a PERS or TPAF eligible title you must:

1. Make a written request to return to active service to the Division of Pensions and Benefits.
2. Submit a physician's report to the Division certifying that you are no longer disabled and can return to employment. The physician should be one with the same specialty as the physician who originally certified that you were disabled.
3. Be examined by a physician appointed by the Board of Trustees.
4. Be approved for return to active service by the Board of Trustees.

When you return to active service your original account and membership tier are restored — provided that you will earn at least the minimum annual salary required for enrollment in your PERS or TPAF membership tier. Deductions for pension begins and you are treated as an active employee in all respects. Upon subsequent retirement, you will receive a benefit based on total service.

Health Benefits

Fact Sheet #11, *Enrolling in Health Benefits Coverage When You Retire*, provides information about continuing your State Health Benefits Program (SHBP) or the School Employees' Health Benefits Program (SEHBP) coverage in retirement.

If you are not covered by the SHBP or the SEHBP, contact your employer about continuing your coverage.

Cost-of-Living Adjustments

The Pension Adjustment Program provides cost-of-living adjustments (COLA) to you and your eligible survivors if you are receiving a monthly retirement allowance from one of the state-administered retirement systems. The first adjustment is available in the 25th month after your retirement. Subsequent cost-of-living adjustments are computed annually and the adjustment is reflected in the February 1st check (which is payment for the month of January). If your spouse or beneficiary is entitled to receive a monthly pension upon your death, the COLA will be applied to that benefit based upon your year of retirement. See Fact Sheet #18, *Cost-of-Living Adjustments*, for further information.

Fact Sheets and Forms

The fact sheets, forms, and other publications mentioned above are available from your employer, by contacting the Division of Pensions and Benefits, or over the Internet at:

www.state.nj.us/treasury/pensions

Member Benefits Online System

Active employees and retirees can access information about their benefits using the Member Benefits Online System (MBOS). MBOS is a set of Internet based applications that allow registered members quick and safe access to specific information about their own pension. You can log on or register for MBOS at: www.state.nj.us/treasury/pensions (select "Online Member Services - MBOS").

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Pension Options

Public Employees' Retirement System • Teachers' Pension and Annuity Fund

ESTIMATING YOUR RETIREMENT ALLOWANCE

If you are within two years of retirement, you may obtain an estimate of your retirement benefits online using the **Member Benefits Online System** (MBOS). Estimates obtained through MBOS provide the most accurate information available by using the service and salary information currently posted to your account. Before you can begin using the system, you must be registered with MBOS. Registration is free. To begin the MBOS registration process go to:

www.state.nj.us/treasury/pensions/mbosregister.shtml

You may also call the Division of Pensions and Benefits' Automated Information System at (609) 777-1777 to hear an estimate of your retirement benefits over the phone. Please have your Social Security number available when you call.

Or you can obtain a retirement estimate by completing a *Request for Retirement Estimate* form, available from your employer or the Division of Pensions and Benefits.

If you provide us with the birth date of your beneficiary, we will estimate not only the Maximum Option but also the alternate payment options described in this fact sheet. (Telephone estimates are not available for members of the PERS Prosecutors Part, Workers' Compensation Judges, or PERS Law Enforcement Officers-LEOs.)

If you are more than two years from retirement, you may calculate your own retirement allowance using the online retirement estimate calculator on the Division of Pensions and Benefits Web site: www.state.nj.us/treasury/pensions or using the worksheet and instructions in Fact Sheet #54, *Calculating Your Own Retirement Allowance*.

PENSION PAYMENT OPTIONS

When planning for retirement, you must be familiar with the pension payment options available to you from the retirement system. You should also consider your financial needs in retirement, your health, your beneficiary's health, the need to provide survivor benefits, life insurance benefits, and income from other sources such as Social Security benefits, investments, etc.

When you apply for retirement, you will have to choose one of nine ways to receive your retirement benefits. Please be sure you understand the different payment options available to you because, **once you have made your choice and your retirement becomes due and payable (usually when your first check is issued), you cannot change your payment option.**

Maximum Option - No Pension Benefit to a Beneficiary

The Maximum Option, also called a single-life annuity, is the highest amount payable and provides a retirement benefit to you for the remainder of your life. If you are not concerned with providing either a lump-sum benefit or providing a monthly income to another person after your death, the Maximum Option may be the most appropriate payment choice for you. The benefit payments continue for your lifetime only. Upon your death, benefits end and your survivors do not receive a pension allowance.

If you die before receiving, through your retirement allowance, the amount that you paid into the retirement system while working (including interest on those contributions), the balance of your contributions will be paid to your beneficiary.

OPTIONS OTHER THAN THE MAXIMUM

Under Options A, B, C, or D you receive a smaller monthly benefit than that provided under the Maximum Option so that, upon your death, your beneficiary will receive a lifetime monthly pension. The percentage of reduction is based on the life expectancies of both you and your beneficiary at the time of your retirement and the option selected. Therefore, the younger your beneficiary, the greater the percentage of reduction in your benefit. Your beneficiary under these options must be an individual. You may not designate a charity, institution, your estate, etc. as a beneficiary.

Option A - 100% to Beneficiary - Increase to Maximum Option

Option A, also called a 100% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive 100% of your monthly retirement

allowance for life. If your beneficiary dies before you, your retirement allowance will increase to the Maximum Option. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement.

Option B - 75% to Beneficiary - Increase to Maximum Option

Option B, also called a 75% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive 75% of your monthly retirement allowance for life. If your beneficiary dies before you, your retirement allowance will increase to the Maximum Option. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement.

Option C - 50% to Beneficiary - Increase to Maximum Option

Option C, also called a 50% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive half of your monthly retirement allowance for life. If your beneficiary dies before you, your retirement allowance will increase to the Maximum Option. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement.

Option D - 25% to Beneficiary - Increase to Maximum Option

Option D, also called a 25% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive 25% of your monthly retirement allowance for life. If your beneficiary dies before you, your retirement allowance will increase to the Maximum Option. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement.

Option 1 - Reducing Retirement Reserve to a Beneficiary

Option 1 provides a lifetime monthly payment to you. Your retirement allowance is reduced from what you could collect under the Maximum Option. It is also different from the Maximum Option in that it *may* provide a lump-sum payment to your beneficiary after your death. At the time of your retirement, the amount

expected to be paid to you in retirement benefits over your lifetime is calculated. This is called your retirement reserve. If you die before you receive monthly retirement benefits equal to your retirement reserve, your beneficiary is entitled to the balance. The balance will be paid in a lump sum or the beneficiary may request payment in equal monthly payments over 5, 10, 15, or 20 years or as a life annuity.

You may name more than one beneficiary for this option and you can change your beneficiary at any time. Your beneficiary may be a person, a charity, an institution, or your estate.

For example, if your monthly retirement allowance is \$2,000 and your retirement reserve is \$230,400, your beneficiary would be entitled to the following payment depending on when you died (16 or 120 months after retirement as shown below).

Retirement Reserve	\$ 230,400
Retirement Benefits Paid (death at 16 months)	\$ 32,000
Beneficiary Benefit	\$ 198,400

Retirement Reserve	\$ 230,400
Retirement Benefits Paid (death at 120 months)	\$ 240,000
Beneficiary Benefit	\$ 0

Since the retirement reserve is based on your retirement allowance and your life expectancy, your own reserve may be much different than this example.

Under Options 2, 3, or 4 you receive a smaller monthly benefit than that provided under the Maximum Option so that, upon your death, your beneficiary will receive a lifetime monthly pension. The percentage of reduction is based on the life expectancies of both you and your beneficiary at the time of your retirement and the option selected. Therefore, the younger your beneficiary, the greater the percentage of reduction in your benefit. Your beneficiary under these options must be an individual. You may not designate a charity, institution, your estate, etc. as a beneficiary.

Option 2 - 100% to Beneficiary - Permanent Reduction

Option 2, also called a 100% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your benefi-

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ciary will receive 100% of your monthly retirement allowance for life. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement. This is similar to Option A except that if your beneficiary dies before you, you will continue to receive the reduced retirement allowance you had been receiving under this option.

Option 3 - 50% to Beneficiary - Permanent Reduction

Option 3, also called a 50% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive one-half of your monthly retirement allowance for life. You can name only one beneficiary to receive this benefit and the beneficiary can never be changed after retirement. This is similar to Option C except that if your beneficiary dies before you, you will continue to receive the reduced retirement allowance you had been receiving under this option.

Option 4 - Choice of Amount to Beneficiary - Permanent Reduction

If the preceding payment options do not meet your financial needs, you may want to consider this option. Option 4 provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive whatever monthly allowance you decide for life. (This can be no more than your own allowance.) You can name one beneficiary or multiple beneficiaries to receive this benefit

and the beneficiary(ies) can never be changed after retirement. If your beneficiary dies before you, you will continue to receive the reduced retirement allowance you had been receiving under this option.

Age Limits on Nonspouse Beneficiaries

For all options, you can name your spouse as your beneficiary regardless of your spouse's age. For Options C, D, 1, or 3, you can name someone other than your spouse as beneficiary regardless of age.

For Options 2, A, or B, if you are naming a beneficiary who is not your spouse, Internal Revenue Service regulations restrict the age of your beneficiary.

Note: Because the Internal Revenue Service is a federal agency, a civil union partner, or domestic partner as defined under New Jersey State law does not qualify as a "spouse" under these circumstances and would be subject to the age limitations described.

For Options 2 and A (100% to beneficiary):

- If you are age 70 or older at retirement, your nonspouse beneficiary can be no more than 10 years younger than you.
- If you are under age 70 at retirement, determine 1.) the number of years difference between your age at retirement and age 70; and 2.) the number of years difference between your age at retirement and the age of your nonspouse beneficiary. Subtract the age 70 difference from the difference in age between yourself and your beneficiary. The resulting age difference can be no more than 10 years (younger than you).

Pension Benefit to Beneficiary Upon Death of Retiree

	None	Lump Sum	100% of Retirement Allowance	75% of Retirement Allowance	50% of Retirement Allowance	25% of Retirement Allowance
Maximum	X					
Option A			X			
Option B				X		
Option C					X	
Option D						X
Option 1		X				
Option 2			X			
Option 3					X	
Option 4 [†]				X	X	X

[†]Under Option 4 you can name any dollar amount less than your allowance to be paid to a beneficiary.

For Option B (75% to beneficiary):

- If you are age 70 or older at retirement, your non-spouse beneficiary can be no more than 19 years younger than you.
- If you are under age 70 at retirement, determine 1.) the number of years difference between your age at retirement and age 70; and 2.) the number of years difference between your age at retirement and the age of your nonspouse beneficiary. Subtract the age 70 difference from the difference in age between yourself and your beneficiary. The resulting age difference can be no more than 19 years (younger than you).

If you name a nonspouse beneficiary under **Option 4**, and the dollar amount of your beneficiary's pension is more than half of your allowance, restrictions on your beneficiary's age apply.

Proof of Age Documentation

If you choose Option 2, 3, 4, A, B, C, or D, proof of age documentation is required for both you and your designated beneficiary. You should submit photocopies of the proof of age documentation at the time you submit your *Application for Retirement Allowance*.

Power-of-Attorney and Option Selection

A person acting on behalf of a member, other than a legal guardian, cannot choose a pension option other than the Maximum Option (and cannot name themselves as a life insurance beneficiary). However, a person with legal **Power-of-Attorney** on behalf of a retiring member can:

- Apply for retirement on behalf of a member;
- Choose any Pension Option; and
- Name themselves as the beneficiary for that Pension Option.

Note: For the Group Life Insurance, the Power-of-Attorney documentation must specifically state that the person acting as Power-of-Attorney has the right to designate or change beneficiaries for group life insurance and, additionally, must specifically grant them the right to name themselves.

IF THE BENEFICIARY DIES BEFORE THE RETIREE

Under Options 2, 3, and 4, if your beneficiary dies before you, your retirement allowance remains at the reduced option level. Under Options A, B, C, and D, if your beneficiary dies before you, your retirement increases to the Maximum Option. Options A through D provide a smaller retirement allowance to you and your beneficiary, when compared to similar Options 2, 3, and 4, to pay for the larger retirement allowance you would collect if your beneficiary dies before you.

Retiree Allowance Upon Death of Beneficiary

	Stays at Reduced Option Allowance	Increases to Maximum Allowance
Maximum	N/A	N/A
Option A		X
Option B		X
Option C		X
Option D		X
Option 1	X	
Option 2	X	
Option 3	X	
Option 4	X	

LIFE INSURANCE AFTER RETIREMENT

Most members of the PERS and TPAF are covered by group life insurance while employed. At retirement, those members receive a reduced life insurance benefit to be paid to their beneficiary upon their death, provided that they have credit for at least 10 years of service in the pension plan.

You may want to leave a pension option benefit to your beneficiary in addition to the life insurance.

ADDITIONAL INFORMATION

If, after reading this fact sheet, you have questions about your pension options, contact the Division of Pensions and Benefits Office of Client Services at (609) 292-7524, or send e-mail to: pensions.nj@treas.state.nj.us

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Your Retirement Checklist

All Funds

When planning for retirement, it is important to give yourself enough time to review your benefits and options. The time frames in this checklist are a guide, however, actual processing times vary and cannot begin until the Division of Pensions and Benefits receives all the necessary information and forms from both you and your employer.

6-8 MONTHS BEFORE RETIREMENT

- ✓ **Obtain a Retirement Estimate** — Members within 2 years of retirement can obtain an estimate of retirement benefits using the **Member Benefits Online System (MBOS)**. MBOS is a set of Internet based applications that allow registered members access to information about their pension. Register with MBOS at: www.state.nj.us/treasury/pensions (select "Online Member Services - MBOS").

To hear an estimate of retirement benefits over the phone, call the Division of Pensions and Benefits' Automated Information System at (609) 777-1777.

You may also submit a *Request for Retirement Estimate* form which is available on the Division's Web site (select "Forms and Publications"), or by calling (609) 292-7524. The form must be forwarded to the Division for manual processing. Please allow 4-6 weeks for processing and mailing.

If you provide us with the name and birth date of your beneficiary, we can estimate the payment options for your beneficiary.

4-6 MONTHS BEFORE RETIREMENT

- ✓ **Apply for retirement** — You cannot submit an application more than one year prior to your retirement date (members eligible for a Deferred Retirement may file more than one year in advance upon termination of employment).

Registered MBOS users can apply for retirement online. This is an easy and secure way to apply for retirement.

If you do not have Internet access you can obtain an *Application for Retirement Allowance* from your benefits administrator or the Division of Pensions and Benefits.

Whether you apply for retirement online through MBOS or by written application, be sure to carefully read the instructions and the available fact sheets about retirement prior to submission. (see page 4).

- ✓ **All members must provide proof of age** prior to retirement. Acceptable proofs of age include a photocopy of any of the following: birth certificate, baptismal certificate, passport, naturalization or immigration papers, or other records including military records, census records, school or business records, age recorded on marriage licenses and insurance, or children's birth records. Registered users can verify if proof of age is on file using MBOS.

If your proof of age is not already on file with the Division of Pensions and Benefits, you should attach a photocopy of your birth certificate, or other proof of age document, to your retirement application. (MBOS applicants should mail proof of age to the Retirement Bureau, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295.) Please also include your name, pension membership number, retirement date, and daytime telephone number on the photocopy.

- ✓ **For Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) only** — If you are choosing Options A, B, C, D, 2, 3, or 4, you must also submit proof of your beneficiary's birth date (see above for acceptable forms of proof). Please include your (the retiree's) name, pension membership number, retirement date, daytime telephone number, on the photocopy of your beneficiary's proof of age and attach it to your retirement application or mail it to the Division's Retirement Bureau (see paragraph above for

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address). **Your retirement application will not be processed until the Division receives the required copies of birth date evidence.**

- ✓ **PERS and TPAF only** — If applying for a **Veteran Retirement**, you must qualify as a veteran for pension purposes. Registered users can verify if veteran status is on file using MBOS. If you are not already listed as a veteran on the Division of Pensions and Benefits' records, you must send a photocopy of your military discharge (*Form DD 214*) to the NJ Department of Military and Veteran Affairs (NJDMAVA), at the following address:

**NJ Department of Military and
Veteran Affairs
ATTN: DVP-VBB
PO Box 340
Trenton, NJ 08625-0340**

Since the NJDMAVA also makes determinations of veteran's preference for Civil Service and property tax appeals, a note should be attached to say that the discharge is being sent for pension purposes. For more information see Fact Sheet #17, *Veteran Status*.

- ✓ **If you have applied for a purchase of additional service credit** in the past six months, and are not submitting an online retirement application through MBOS, please write "Purchase Pending" across the top of your *Application for Retirement Allowance* prior to sending it to the Division.
- ✓ **The amount of your group life insurance coverage** through the retirement system decreases at retirement or terminates if you have less than 10 years of service credit. You may convert the dollar difference between the coverage you had before retirement and the coverage you will have after retirement to a non-group life insurance policy by applying to a Prudential Insurance Company agent **within 31 days of your termination of employment**. No physical examination is required to prove insurability. The cost of the coverage will be at the standard rate for someone your age. For further information about conversion, you can contact Prudential at 1-800-524-0542 or through any of its local offices or if you live in New Jersey

by calling 1-800-262-1112. You should contact other insurance carriers and compare the available policies and costs before you decide to purchase the conversion policy.

- ✓ **Ask your employer** to submit a *Certification of Service and Final Salary* to the Division of Pensions and Benefits.
- Please note: Your employer will be notified that you have filed an application for retirement.**
- ✓ **Contact the NJ State Employees Deferred Compensation Plan** office at 1-866-NJSEDCP, or the **Supplemental Annuity Collective Trust (SACT)** office at (609) 633-2031, or the **Defined Contribution Retirement Program (DCRP)** at 1-866-653-2771, if you participate in these plans.
 - ✓ **You will receive a letter** from the Division of Pensions and Benefits acknowledging receipt of your retirement application. Included with the letter are answers to some frequently asked retirement questions.

**APPROXIMATELY 3 MONTHS
BEFORE RETIREMENT**

You will receive a letter offering you enrollment in the State Health Benefits Program (SHBP) or the School Employees' Health Benefits Program (SEHBP) if you are:

- ✓ A member already covered by the SHBP or SEHBP through their employer. (If you are not eligible for State-paid or employer-paid coverage, you may continue the coverage into retirement by paying the appropriate premium.);
- ✓ A member employed by a board of education or a county college who retiring with 25 or more years of service credit in one or more State- or locally-administered retirement system or who retire on a disability retirement, even if their employer did not participate in the SEHBP. This includes members who elected Deferred Retirement with 25 or more years of service credit in one or more State- or locally-administered retirement system. Eligibility is limited to full-time employees as defined by N.J.A.C. 17:9-4. The State pays for the health benefit cost if you qualify under this category;

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- ✓ Members eligible for Medicare who retired from full-time employment at a board of education, vocational/technical school, or special services commission that does not participate in the SEHBP, provided you are participating in the health benefit plan of your employer **and** are enrolled in Medicare Part A and Part B. You will be required to pay the full cost of the coverage;
- ✓ Part-time State employees and part-time faculty at institutions of higher education that participate in the SHBP or SEHBP if enrolled in the SHBP or SEHBP at the time of retirement. You will be required to pay the full cost of the coverage;
- ✓ A PERS or Alternate Benefit Program (ABP) member retiring from a school board of education or county college with 25 or more years of service credit in the pension fund or retiring on a disability retirement;
- ✓ A police officer, firefighter, or PERS Law Enforcement Officer (LEO) retiring with 25 years or more of service credit in the retirement system or retiring on a disability retirement, **and** whose employer does not provide any payment towards the retiree's health coverage or reimbursement of Medicare Part B premiums, may be eligible for retired group SHBP or SEHBP coverage under the provisions of Chapter 330, P.L. 1997 (see Fact Sheet #47, *Health Benefits Retired Coverage under Chapter 330*).

Note: Enrollment for coverage as a retiree in the SHBP or SEHBP is not automatic. **You must submit a health benefits *Retired Coverage Enrollment Application* to enroll.**

- ✓ If you are age 65 or older, contact the local Social Security Administration office for full Medicare enrollment. You must be covered by both Part A and Part B of Medicare to be eligible to enroll in the SHBP or SEHBP in retirement. Most Medicare eligible retirees, in the SHBP or SEHBP, and/or their Medicare eligible dependents, need not enroll in Medicare Part D prescription drug coverage. While some SHBP or SEHBP members who qualify for low income subsidy programs may find it beneficial to enroll in Medicare Part D, once you and/or a dependent enroll in a Medicare Part D plan, the

person enrolled in Medicare Part D will lose their SHBP or SEHBP prescription drug coverage. In addition, the SHBP and SEHBP will not cover the costs of any drugs that are not covered by the Medicare Part D plan.

- ✓ You may need to obtain a written statement from your employer certifying that you have been covered under an employer group health plan. The statement should indicate when and why coverage as an active employee will end.
- ✓ If you will not be eligible for post-retirement medical coverage through the SHBP or SEHBP, be sure to discuss any coverage options that are available to you with your employer.

**APPROXIMATELY 2 MONTHS
BEFORE RETIREMENT**

- ✓ **You will receive a *Quotation of Retirement Benefits* letter** which shows your monthly retirement allowance with:
 - the option you selected; (for PERS and TPAF)
 - a quote of any outstanding loan balance with repayment options; and
 - a quote of any outstanding arrears (purchase) balance and/or shortages.
- ✓ **If you will be retiring with an outstanding loan balance**, you must decide how you wish to repay your loan. You may:
 - pay the loan **in its entirety** prior to receiving any benefits; or
 - continue your monthly loan repayment schedule into retirement until the loan balance **plus interest** has been repaid.
- ✓ **Any outstanding arrears or shortages must be paid** before your retirement check can be issued. Failure to respond to these issues will delay your retirement benefits.

**APPROXIMATELY 1 MONTH
BEFORE RETIREMENT**

- ✓ **Your retirement will be presented to the retirement system's Board of Trustees for approval.** You will receive a board approval letter and will have 30 days from the board approval

date or 30 days from your effective retirement date (whichever is later) to change your retirement date and or your option selection. If you make any changes after board approval, your new selection must again be approved by the Board of Trustees. This may delay your first check.

- ✓ **You may choose to cancel your retirement** within 30 days of your retirement date or 30 days of your board approval date (whichever is later). This request must be in writing to the Division of Pensions and Benefits. If you cancel or change your retirement date and submit a new application with a later retirement date, it is your responsibility to notify the employer to ensure your active health benefits (if any) are not canceled and that your employment remains uninterrupted. Canceling your retirement does not guarantee continued employment with your employer.
- ✓ If you are not eligible for health benefit coverage after retirement, you should discuss with your employer the possibility of continuing medical, prescription drug, dental, or vision coverage under the provisions of COBRA.

SHORTLY AFTER YOUR RETIREMENT DATE

- ✓ **You will receive a letter** confirming your retirement and death benefits called the *Statement of Retirement Allowance*. The letter will also supply figures needed in filing your income tax return. Keep this with your important papers.
- ✓ **Your first retirement check** cannot be issued earlier than 30 days following your retirement date. If processing of your retirement is delayed, your first check will be retroactive to the date of your retirement. Regular retirement checks are dated on the first of the month to cover the allowance for the previous month. For example, if you retire on July 1, your first retirement check would be due and payable on August 1 and is payment for the month of July.
- ✓ **Your retirement is not considered “bona fide”** until your retirement becomes “due and payable” and the employer/employee relationship is

severed. This normally occurs after there has been a break in employment without pay of at least 30 days following your retirement date, or 30 days following the approval of your retirement by the retirement system’s Board of Trustees, whichever is later.

- ✓ **If you return to a position covered by the retirement system before the 30 days have elapsed**, on either a paid or voluntary basis, your retirement may be considered invalid and you could be required to reimburse the retirement system and reenroll in the retirement system.
- ✓ **You will receive forms for withholding federal and New Jersey State income tax.** If you are a registered MBOS user you can make changes to your tax withholding online.
- ✓ **You will receive a form for direct deposit** of your retirement check to your bank account. After retirement registered MBOS users can also safely make changes to direct deposit online.

FACT SHEETS ABOUT RETIREMENT

Listed below are fact sheets pertaining to retirement and related issues. These fact sheets are available on our Web site at: www.state.nj.us/treasury/pensions (select “Forms and Publications”). You can also obtain fact sheets from the Division’s Office of Client Services at (609) 292-7524.

Purchasing Service Credit

- #1, Purchasing Service Credit (PERS, TPAF & PFRS)
- #2, Estimating the Cost of Purchasing Service Credit (PERS & TPAF)
- #3, Estimating the Cost of Purchasing Service Credit (PFRS)

Retirement Planning

- #4, Applying for Retirement (PERS & TPAF)
- #5, Pension Options (PERS & TPAF)
- #11, Enrolling in Health Benefits Coverage When You Retire
- #17, Veteran Status (PERS & TPAF)

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- #18, Cost-of-Living Adjustments (All Funds)
- #19, Applying for Retirement (PFRS)
- #41, Applying for Retirement (SPRS)
- #54, Calculating Your Own Retirement Allowance (PERS & TPAF)
- #61, Planning for Your Survivors - Pension Options (JRS)
- #64, About Your Retirement Check
- #79, Defined Contribution Retirement Program for PERS, TPAF, PFRS, and SPRS Members
- #80, Defined Contribution Retirement Program for Elected and Appointed Officials
- #82, Defined Contribution Retirement Program if Ineligible for PERS or TPAF

Types of Retirement

- #14, Deferred Retirement (PERS, TPAF & PFRS)
- #15, Disability Retirement Benefits (PERS & TPAF)
- #16, Disability Retirement Benefits (PFRS)
- #39, Disability Retirement Benefits (SPRS)
- #53, Legislative Retirement Benefits (PERS)
- #62, Prosecution Part (PERS)
- #63, Workers' Compensation Judges Part (PERS)

Taxation of Benefit Distributions

- #7, New Jersey State Employees Deferred Compensation Plan Distribution Options

- #12, Taxation of Retirement Benefits
- #27, The Taxability and Mandatory Withholding of Income Tax From Your Pension Distribution

Employment after Retirement

- #21, Employment After Retirement (PERS)
- #28, Employment After Retirement (TPAF)
- #29, Employment After Retirement (PFRS)
- #57, Employment After Retirement (SPRS)

Health Benefits and COBRA Coverage

- #11, Enrolling in Health Benefits Coverage When You Retire
- #23, Health Benefits Programs and Medicare Parts A & B for Retirees
- #30, Continuation of Health Benefits Insurance Under COBRA
- #47, Health Benefits Retired Coverage Under Chapter 330 (PFRS & Law Enforcement Officers of PERS)
- #73, Retiree Dental Expense Plan

Life Insurance/Death Benefits

- #13, Conversion of Group Life Insurance (All Funds)
- #68, Designating a Beneficiary (All Funds)

This fact sheet has been produced and distributed by:

**New Jersey Division of Pensions and Benefits • PO Box 295 • Trenton, New Jersey 08625-0295
(609) 292-7524 • TDD for the hearing impaired (609) 292-7718**

URL: <http://www.state.nj.us/treasury/pensions> • E-mail: pensions.nj@treas.state.nj.us

This fact sheet is a summary and not intended to provide total information.
Although every attempt at accuracy is made, it cannot be guaranteed.

GROUP LIFE INSURANCE

AN OVERVIEW

FOR PERS AND TPAF MEMBERS

CONTRIBUTORY AND NONCONTRIBUTORY GROUP LIFE INSURANCE

As an active employee in the PERS or TPAF you may be covered by two types of group life insurance:

NONCONTRIBUTORY GROUP LIFE INSURANCE is provided by your employer through the pension fund. There is no cost to you for this coverage.

CONTRIBUTORY GROUP LIFE INSURANCE is the insurance for which you pay. The cost of the insurance for PERS members is 0.5 of 1 percent (.005) of your base salary; and for TPAF members is 0.4 of 1 percent (.004) of your base salary. The law requires that you must be covered¹ by contributory insurance for the first 12 months of your membership. After the 12 months have elapsed, you may cancel this coverage if you wish by filing a *Notice of Withdrawal from Contributory Group Life Insurance* available through your employer. Once you have canceled this coverage, you cannot be reinstated nor are your contributions refunded.

Both noncontributory and contributory group life insurance are covered by policies issued by the insurance carrier (Prudential Insurance Company of America, Inc.). You will receive an individual certificate from the Division of Pensions and Benefits which you should keep with your important papers.

When an active member dies, not as a result of regular or assigned duties, the named beneficiaries are entitled to the payment of group life insurance benefits and the return of the member's accumulated pension contributions with interest, if any.

The amount of death benefits paid to your beneficiaries at your death depends on three factors:

- your membership status at the time of death;
- your salary²; and
- your age.

GROUP LIFE INSURANCE COVERAGE FOR PERS MEMBERS

PERS INSURANCE COVERAGE WHILE ACTIVELY EMPLOYED		
Age at death	Members with noncontributory insurance only	Members with both non- & contributory insurance
Any age	1½ x salary	3 x salary

PERS INSURANCE COVERAGE WHILE RETIRED		
Type of Retirement	Death before age 60	Death after age 60
Service & Veteran	Does not apply	3/16 x salary
Early	3/16 x salary	3/16 x salary
Deferred	None	3/16 x salary
Disability	1½ x salary	3/16 x salary
NOTE: The percentages shown apply to the total base salary upon which pension contributions were based during the year preceding retirement or highest contractual year.		

GROUP LIFE INSURANCE COVERAGE FOR TPAF MEMBERS

TPAF INSURANCE COVERAGE WHILE ACTIVELY EMPLOYED		
Age at death	Members with noncontributory insurance only	Members with both non- & contributory insurance
Any age	1½ x salary	3½ x salary

¹ Employees who are age 60 or older at the time of enrollment, or those who have converted their insurance to a private policy and returned to work, are ineligible for both noncontributory or contributory group life insurance coverage until they take and pass a medical examination.

² The definition of salary in the following charts is the total base salary upon which your pension contributions were based during the year preceding your retirement or death during active service. If death occurs within the first year of enrollment, the amount of noncontributory insurance is based on base salary earned until the date of death. The amount of contributory insurance, however, is based on the full annual base salary.

TPAF INSURANCE COVERAGE WHILE RETIRED				
Type of Retirement	Members with noncontributory insurance only		Members with both non- & contributory insurance	
	Death before age 60	Death after age 60	Death before age 60	Death after age 60
Service	Does not apply	3/16 x salary	Does not apply	7/16 x salary
Early & Veteran	3/16 x salary	3/16 x salary	7/16 x salary	7/16 x salary
Deferred	None	3/16 x salary	None	7/16 x salary
Disability	1½ x salary	3/16 x salary	1¾ x salary	7/16 x salary
NOTE: The percentages above apply to the total base salary upon which pension contributions were based during the year preceding retirement or highest contractual year.				

If a retiree was enrolled as a member of the PERS or TPAF on or after July 1, 1971, life insurance is payable only if the member retired with 10 or more years of pension membership credit or retired on a disability retirement.

PAYMENT OF GROUP LIFE INSURANCE

Group life insurance for active PERS and TPAF members can be paid in one of several ways (Group life insurance for retirees must be paid in a lump sum). The options are:

- **LUMP SUM.**
- **ANNUITY CERTAIN** is equal installments over a period of years. If your beneficiary dies before all the payments have been made, the remaining monies will be paid in a lump sum to your beneficiary's designated beneficiary.
- **LIFE ANNUITY** is paid monthly to your beneficiary for life. Payment continues even if your beneficiary outlives the actual amount of the benefits. For this reason, the value of the annuity is based on the amount payable and the life expectancy (age) of the beneficiary. Payments cease at the beneficiary's death.
- **OTHER POSSIBILITIES** include options provided by the insurance company (Prudential) to its ordinary life policyholders.

These death benefits cannot be paid until all the necessary information and forms have been received by the

Division of Pensions and Benefits. **To report a death, contact the Office of Client Services at (609) 292-7524.**

GROUP LIFE INSURANCE AND LEAVE OF ABSENCE

Your group life insurance coverage will continue in full force for an official leave of absence without pay under the following conditions:

- up to two years while on an official leave of absence for personal illness. In this case, contributions **are not** necessary to continue coverage under the contributory plan.
- up to one year while on an official leave to fulfill a residency requirement for an advanced degree or as a full-time student at an institution of higher education. In this case, contributions **are** necessary to continue coverage under the contributory plan³.
- up to 93 days while on official leave for personal reasons (also family leave). In this case, contributions **are** necessary to continue coverage under the contributory plan³.

DESIGNATING A BENEFICIARY

When you are enrolled as a new member, you should also submit a *Designation of Beneficiary* to the Division of Pensions and Benefits. As a new member, your estate will be the beneficiary on record until the Division of Pensions and Benefits receives a properly completed *Designation of Beneficiary*.

You may also change your designation at anytime thereafter by submitting a new, and properly completed *Designation of Beneficiary* to the Division.

- Members registered for the Member Benefits Online System (MBOS) can complete the *Designation of Beneficiary* online. Information on using MBOS can be found in the *MBOS Users' Guide*, available on MBOS and on the Division's Web site at: www.state.nj.us/treasury/pensions
- Members may also mail a *Designation of Beneficiary* form to the Division of Pensions and Benefits.

³You may continue contributory life insurance coverage during these periods by forwarding the Division of Pensions and Benefits a check made payable to "PERS CGIPF" or "TPAF CGIPF" as appropriate. The amount due to cover the premium for PERS members is 0.0055 of your monthly base salary in effect at the time you went on leave and for TPAF members 0.0040 of your monthly base salary in effect at the time you went on leave. This premium payment must be sent in advance on a monthly basis while on leave for as long as you wish to keep your contributory life insurance in effect.

For your protection, beneficiary designations cannot be accepted nor confirmed over the telephone or by e-mail. Active employees can verify beneficiary designations on MBOS. Otherwise, the Division will only accept a written request from the member.

TAXATION OF GROUP LIFE INSURANCE BENEFITS

The Internal Revenue Service classifies all employer-provided life insurance coverage over \$50,000 as a fringe benefit subject to taxation. The amount of life insurance coverage is not taxable but rather the premium required to pay for the life insurance coverage is taxable. Chapter 62, P.L. 1994 permits members of the State retirement systems to waive their Noncontributory Group Life Insurance over \$50,000 to avoid a possible federal and State tax liability on that benefit. Any member who waives the Noncontributory Group Life Insurance, must waive the total amount of noncontributory coverage in excess of \$50,000. Waivers of partial amounts are not permitted. Even if a member waives the Noncontributory Group Life Insurance over \$50,000, there still may be a federal tax liability for those TPAF members who have Contributory Group Life Insurance coverage.

To determine the taxable amount, if any, add the amount of your noncontributory life insurance coverage to your contributory life insurance coverage then subtract \$50,000 from that total. The premium rates are then applied to the remaining life insurance amount. The premium costs for the life insurance are determined by the IRS based on your age (see chart) and your salary. The premiums you pay for your contributory life insurance (PERS .005 x salary or TPAF .004 x salary) are subtracted from the premium costs determined by the IRS. The remaining premium cost (if any) is the taxable amount and is added to your *Form W-2* for that year.

IRS Premium Rates* as of 7/1/99 (Annual cost per \$1,000 of coverage)	
Age	Premium
Under age 25	\$ 0.60
25-29	0.72
30-34	0.96
35-39	1.08
40-44	1.20
45-49	1.80
50-54	2.76
55-59	5.16
60-64	7.92
65-69	15.24
70 and above	24.72
*These rates are subject to change by the IRS.	

EXAMPLE: A TPAF member is age 52 and has both contributory and noncontributory life insurance coverage.

The member's annual base salary is \$60,000. The member's life insurance coverage totals \$210,000 ($3\frac{1}{2} \times \$60,000$).

The fringe benefit amount is determined by subtracting \$50,000 from the total benefit amount, \$210,000. That equals \$160,000.

According to the IRS, the premium cost for an individual 52 years of age is \$2.76 per \$1,000 of coverage. The premium cost in this example is \$441.60 ($160 \times \2.76).

Under the TPAF, members pay premiums equal to 0.4% of base salary for contributory life insurance coverage. In this example this member pays \$240.00 ($.004 \times \$60,000$) per year for life insurance coverage. The net taxable value of the premiums is \$201.60 ($\$441.60 - \240.00) and would be added to this member's W-2. This does not mean that the member would pay an additional \$201.60 in taxes but that \$201.60 would be added to the member's taxable wages for the year.

Waiving Noncontributory Group Life Insurance over \$50,000

In the example above, the member's noncontributory life insurance coverage equals \$90,000 ($1\frac{1}{2} \times \$60,000$). In this example the member could waive \$40,000 of non-contributory life insurance coverage because members are only permitted to waive noncontributory life insurance coverage over \$50,000. The net taxable value would be reduced to \$91.20 ($\$201.60 - \110.40).

You may waive your Noncontributory Group Life Insurance coverage in excess of \$50,000 by completing a waiver form and submitting it to the Division of Pensions and Benefits. The form is available from the Division of Pensions and Benefits or your employer. The waiver form must be received by the Division of Pensions and Benefits before December 31 to be effective January 1 of the next calendar year.

Once a waiver form has become effective it shall be irrevocable for the entire calendar year. The waiver will remain in effect until you submit a reinstatement form to the Division of Pensions and Benefits. The reinstatement will become effective the following January 1.

If a waiver is in effect at the time of termination of employment or retirement, you will not be permitted to convert any amount of your Noncontributory Group Life Insurance coverage over \$50,000 (see Fact Sheet #13, *Conversion of Group Life Insurance*, for details).

Before completing the waiver, you should completely understand the ramifications of waiving your noncontributory life insurance. For more information, refer to Internal Revenue Service *Publication 525*.

Conversion of Group Life Insurance

All Funds

If you are covered by group life insurance while employed, the coverage ends 31 days after you cease employment (whether for reason of retirement, termination of employment, or leave of absence without pay).

You have the option to convert your group life insurance coverage to an individual policy with the Prudential Insurance Company when you retire, terminate employment, or lose coverage while on a leave of absence without pay. **This conversion to a Prudential policy is guaranteed (you cannot be denied coverage for health or other reasons), but it may be more expensive or less suitable to your needs than other policies for which you may qualify from Prudential or other insurance carriers.** You can estimate the cost of converting your policy by using the Group Life Insurance Conversion Calculator on the Division of Pensions and Benefits Web site at: www.state.nj.us/treasury/pensions/conversion-calc.shtml

You should contact other insurance carriers and compare the available policies and costs before you decide to purchase the conversion policy. (Other carriers may accept or reject your application based on their evaluation of the status of your health and other factors.) **If you wish to purchase a conversion policy, you have a one time option to do so prior to the 31st day after you cease employment. After that date, you will not be eligible to purchase a conversion policy.**

You may convert your life insurance to any individual, non-group policy customarily offered by Prudential. However, you cannot convert to term insurance or a policy containing disability benefits. Under a guaranteed conversion, you pay premiums at Prudential's "standard" rates for the type of policy to which you would be converting. The individual policy will be effective at the end of the 31 day conversion grace period. If you do not convert to an individual policy by the end of the 31 day period, your coverage will end.

To initiate the purchase of a conversion policy, you must contact the Prudential Insurance Company (not the Division of Pensions and Benefits) at 1-800-524-0542, through any of Prudential's local offices, or if you live in New Jersey at 1-800-262-1112. You will need your group insurance policy number, as follows:

- G-14800 - This is the policy number for the basic (noncontributory) group life insurance for the following retirement systems: ABP¹, PERS², TPAF³, JRS⁴, PFRS⁵, SPRS⁶, DCRP⁷
- G-13900 - This is the policy number for the contributory group life insurance for PERS
- G-14300 - This is the policy number for the contributory group life insurance for TPAF

The conversion policy can be for any amount of insurance up to the amount that you had while employed. (In the case of a retirement the maximum amount that you can purchase will be reduced by the amount of any life insurance that you will automatically receive in retirement under your retirement plan. See example under Retirement.) *To protect your conversion privilege it is suggested that you send your application for conversion to Prudential with at least one month's premium, at the time you file your retirement application with the Division of Pensions and Benefits (however, you cannot file to convert your life insurance any earlier than six months prior to your retirement date).*

The following provides detailed information about conversion policies for the specific situations of retirement, i.e., deferred retirement, disability retirement, and termination of employment, or leave of absence.

RETIREMENT

If you retire with 10 or more years of service credit in the retirement system, the amount of your group life insurance will be substantially reduced when you retire. The amount of your coverage will be listed in the *Quotation of Retirement Benefits* that you will receive prior to your retirement. It will be identified as the "Lump Sum Death Benefit." You will automatically be covered by this insurance and do not need to do anything to qualify.

¹ABP — Alternate Benefit Program

²PERS — Public Employees' Retirement System

³TPAF — Teachers' Pension and Annuity Fund

⁴JRS — Judicial Retirement System

⁵PFRS — Police and Firemen's Retirement System

⁶SPRS — State Police Retirement System

⁷DCRP — Defined Contribution Retirement Program

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If you retire with less than 10 years of service credit in the retirement system, you will not receive any group life insurance coverage (for the exception, see "Disability Retirement" below).

The reduction (or elimination) of your life insurance coverage will be effective 31 days after your date of termination. If you wish to supplement this coverage with either a conversion policy from Prudential or another type of policy from Prudential or another insurance carrier, it is best to begin exploring your options four to six months prior to your retirement.

EXAMPLE: If you had group life insurance of \$96,000 through the retirement system while employed, and that life insurance coverage drops to \$6,000 at retirement, you can purchase up to \$90,000 in life insurance coverage under an individual non-group policy by contacting a Prudential agent before 31 days following your termination of employment.

Deferred Retirement*

Your life insurance coverage will end 31 days after termination of employment. Any life insurance coverage to which you are entitled upon retirement will not take effect until you reach the normal retirement age for your retirement system and begin to receive retirement benefits (age 60 for Tier 1 and Tier 2 or age 62 for Tier 3 or Tier 4 of the PERS or TPAF; age 60 for JRS; age 55 for PFRS or SPRS).

You have a one-time option to purchase a conversion policy prior to **the 31st day after termination of employment** (*not at the time that you reach normal retirement age*). The maximum amount of coverage you may purchase will be the difference between the amount of coverage you had while employed and the amount of coverage you will automatically receive when you begin to receive retirement benefits.

Disability Retirement*

If you are approved for a disability retirement you will be automatically covered by life insurance until you reach age 60 for PERS, TPAF, and JRS, or age 55 for PFRS and SPRS. The amount of this coverage will be equal to the amount of the noncontributory insurance coverage you had while employed.

**Does not apply to the ABP or the DCRP.*

You will have the option to purchase a conversion policy up until the day you reach normal retirement age for your retirement system. The maximum amount of coverage you may purchase will be the difference between the amount of noncontributory coverage you had while employed and the amount of coverage you will automatically receive when you reach the normal retirement age.

If you also had contributory life insurance while employed, you may convert the amount of your contributory insurance until 31 days after termination of employment. Whether or not you exercise this option, you will still have the option to convert the noncontributory portion of your life insurance up until the day that you reach normal retirement age.

TERMINATION OF EMPLOYMENT OR LEAVE OF ABSENCE

If you terminate employment without applying for retirement or your insured period during a leave of absence expires, you will continue to be covered for the next 31 days. Up until the end of that 31 day period, you may convert your group life insurance, without medical examination, to any individual policy customarily offered by Prudential except term insurance or a policy containing disability benefits.

EXAMPLE: If you had group life insurance of \$96,000 through the retirement system while employed, that life insurance coverage is eliminated when you terminate employment. You can purchase up to \$96,000 in life insurance coverage under an individual non-group policy by contacting a Prudential agent before 31 days following your termination of employment.

RETURN TO PUBLIC EMPLOYMENT

If you return to public employment after purchasing a conversion policy, you must discontinue your individual conversion policy. Otherwise, you are required to submit satisfactory proof of insurability before you can be covered again in full under a group life insurance policy.

The Division of Pensions and Benefits cannot provide premium rates for converted life insurance policies. Please contact a Prudential agent for this information.

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About Your Retirement Check

All Funds

This fact sheet contains useful information about your New Jersey State-administered retirement benefit allowance; including mailing dates, how to report a lost or stolen check, direct deposit information, how to change your mailing address, and how to change your income tax withholding.

MEMBER BENEFITS ONLINE SYSTEM (MBOS)

Most of the information presented in this fact sheet that is specific to your retirement allowance can be accessed online at any time through the Member Benefits Online System (MBOS). Registration information for MBOS is available on the Division of Pensions and Benefits Web site:

www.state.nj.us/treasury/pensions

After you complete the MBOS registration process, simply log on to MBOS and select the “Retired Account Information” button on your MBOS home page. When the “Retired Account Information” application opens, you will see your pension account information displayed.

2010 RETIREMENT CHECK MAILING DATES

Listed below are the dates indicating when retirement checks will be delivered to the United States Post Office. Please add several days to the mailing

CHECK DATE	MAIL DATE	EFT DATE
2-1-2010	1-28-2010	2-1-2010
3-1-2010	2-25-2010	3-1-2010
4-1-2010	3-29-2010	4-1-2010
5-1-2010	4-28-2010	4-30-2010
6-1-2010	5-27-2010	6-1-2010
7-1-2010	6-28-2010	7-1-2010
8-1-2010	7-28-2010	7-30-2010
9-1-2010	8-27-2010	9-1-2010
10-1-2010	9-28-2010	10-1-2010
11-1-2010	10-28-2010	11-1-2010
12-1-2010	11-24-2010	12-1-2010
1-1-2011	12-28-2010	12-30-2010

date that is shown for an approximate date of delivery to your home address.

Also listed are Electronic Fund Transfer (EFT) effective dates for monthly retirement allowance payments. Payments are normally on the first day of the month, unless the first falls on a Saturday, Sunday, or State holiday. In 2010, alternate EFT effective dates occur on April 30, July 30, and December 30.

LOST, MISSING, OR STOLEN CHECKS

Every month, we get calls from retirees who have not received their pension checks. In most cases, the problem is just a delay in the delivery of the mail. Therefore, you should allow 10 days from the date of the check before considering it lost. However, if you did receive your check and it was subsequently lost, stolen, or destroyed contact us immediately.

To report a missing, lost, or stolen check call our Office of Client Services at (609) 292-7524 or mail a letter with the payee’s name, address, Social Security number, and the check date to the New Jersey Division of Pensions and Benefits, Pension Payroll Section, PO Box 295, Trenton, NJ 08625-0295. You can also send an e-mail to:

pensions.nj@treas.state.nj.us

The Division will send you a letter of non-receipt for your signature and begin to process a replacement check once your signed letter of non-receipt has been returned to the Division.

Better yet, avoid the possibility of a lost check altogether and guarantee the availability of your pension money by the first of the month by signing on for Electronic Fund Transfer of your retirement allowance to your bank account.

ELECTRONIC FUND TRANSFER SAVES TIME AND PREVENTS DELAYS

Electronic Fund Transfer (EFT) — also known as Direct Deposit — is an easy, convenient way to ensure that your monthly retirement check arrives automatically at your bank. Since deposits occur electronically, there is no need to wait for the check

to arrive in the mail, and you can pay your bills on time. The extra trip to the bank to cash your check or make a deposit is also eliminated. In this way, EFT can save you time, and your money is available on time, every month. **Eighty percent of our retirees already use EFT.**

It's easy to start EFT for your pension check. Choose a bank that provides EFT for its customers. Most banks now perform this service. There are two ways to sign up for EFT:

- Registered MBOS users can immediately sign up for EFT online. If you already receive your check electronically, you can also easily make changes to your EFT information via MBOS.
- You can complete an Authorization for Direct Deposit form and mail it to the Division of Pensions and Benefits. The authorization form is available by contacting the Division or over the Internet at:
www.state.nj.us/treasury/pensions

After you sign up for EFT, you will receive a *Statement of Allowances and Deductions* when your first monthly pension allowance is directly deposited to your account. Like a check stub, the *Statement of Allowances and Deductions* shows your monthly

pension allowance, and includes all of the amounts credited to and deducted from your pension. Keep your initial statement as a guide to what is added to or deducted from your retirement allowance. New statements are not mailed to EFT recipients unless one of the following items change:

- Your monthly retirement allowance
- Your deductions
- Your bank account
- Your name
- Your address

If any of these changes occur, you will receive a statement for that month with a message that explains the change. Changes in allowance or deductions are marked with an asterisk (*) next to the dollar amount to highlight what has changed. All EFT participants also receive a December 1 statement which shows year-end totals.

A typical schedule for the *Statement of Allowances and Deductions* for **all** retirement allowance recipients is shown in the box below.

STATEMENTS OF ALLOWANCES AND DEDUCTIONS IN A TYPICAL YEAR

January 1 - Since federal tax withholding tables change January 1, most retirees who have federal tax withheld receive a January 1 statement showing any new withholding amount. If you have a health benefit deduction or receive Medicare Part B reimbursement, your January 1 statement will show any change in these amounts. EFT recipients would not otherwise receive a statement unless there was a change in the items listed at left.

February 1 - If eligible, you will receive an annual Cost-of-Living Adjustment (COLA). A statement will be mailed to EFT recipients because the total payment will have changed (for more information, see Fact Sheet #18, *Cost-of-Living Adjustment*).

March 1 - November 1 - EFT recipients will not receive another statement until December 1, unless there are changes in the amount of your allowances or deductions; however, if you are a registered MBOS user, your statement can be viewed online anytime. For more information about MBOS visit the Division's Web site: www.state.nj.us/treasury/pensions

December 1 - The statement contains year-end totals that will allow you to start to prepare income taxes prior to the receipt of a *Form 1099-R* at the end of January. Please note that your income taxes are based solely on the payment date printed on the statements by the Division (from January 1 to December 1), not the date in which you receive it via mail or EFT. This statement is issued to all EFT recipients each year.

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2010 PROCESSING DATES FOR EFT

The chart below shows the closing date in which your properly completed EFT form for the initial transmittal to a bank must be received and processed by the Division of Pensions and Benefits in order for your check to be sent electronically for the first time or to a different bank.

CLOSING DATES FOR PROCESSING IN 2010	2010 CHECK DATES
January 13	February 1
February 10	March 1
March 10	April 1
April 12	May 1
May 12	June 1
June 14	July 1
July 14	August 1
August 13	September 1
September 14	October 1
October 11	November 1
November 9	December 1
December 11	January 1, 2011

UPDATING YOUR HOME ADDRESS

Informing the Division of Pension and Benefits of a change of address helps to ensure that you will receive your monthly pension check at your new address without delay. There are several ways to update your home address information:

- Write to Pension Payroll, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295. Include your name, Social Security number or retirement number, both the old and new addresses, the date of the move, your daytime telephone number, and your signature;
- Call (609) 292-MOVE, or (609) 292-6683. Please have your Social Security number or retirement number on hand;
- Registered MBOS users can change their address online via the Division's Web site at www.state.nj.us/treasury/pensions

If you are enrolled in retired State Health Benefits Program (SHBP) or School Employees Health Benefits Program (SEHBP) coverage, notifying the Division of your new address, will also update your address information with the SHBP/SEHBP. However, SHBP or SEHBP members who do not receive a monthly pension check cannot use the Internet Change of Address form and must call or write the Division.

ADJUSTING THE FEDERAL OR STATE INCOME TAX WITHHELD FROM YOUR PENSION ALLOWANCE

If you are a registered MBOS user you can change your withholding information online. More information is available online at the Division of Pensions and Benefits Web site:

www.state.nj.us/treasury/pensions

Federal and New Jersey *W-4P* forms are also available from the Division's Internet site at: www.state.nj.us/treasury/pensions Find the "Forms and Publications" link on the home page to go to the link for the federal *Form W-4P* or the *NJ-W-4P*.

Federal Income Tax

To change the amount of federal income tax withheld from your pension payment, use the federal income tax withholding *Form W-4P*. This form asks whether you are single or married, and the number of allowances you wish to claim. As the federal government requires, the federal tax tables are applied to the marital status and number of allowances that you indicate on the withholding form and the gross allowance you receive, to determine how much tax is withheld. The "Federal Exemptions" box on your *Statement of Allowances and Deductions* shows the federal tax filing status you currently have on file. For example, M002 means you have indicated that you are married with two allowances, while S001 would mean single with one allowance.

If you wish to have more tax withheld than the tax tables require, there is an "Optional Additional Deductions" box on the form, in which you can enter the amount you want withheld in addition to the amount required by the tax tables. If you never entered a figure in this box previously, and you want to increase your federal withholding tax by \$20, simply enter \$20 there. However, if you previously asked

for an additional \$50 to be withheld, and you now want to increase that by \$20, you must enter \$70 in the additional amount box, not \$20, since that amount will replace the additional amount you had previously requested.

If you are not sure if you previously requested "Optional Additional Deductions" be withheld, you should contact the Division of Pensions and Benefits to determine this — your *Statement of Allowances and Deductions* does not indicate if additional withholding is currently in effect.

New Jersey State Income Tax

Adjusting your New Jersey income tax withholding is simpler. On the *New Jersey Form W-4P*, specify the dollar amount you want withheld each month. That figure will replace any figure you had previously requested.

Additional Tax Information and Forms

See Fact Sheet #12, *Taxation of Retirement Benefits*, for more information about how your benefit is taxed.

The Division of Pensions and Benefits cannot offer tax advice. If you need specific advice on completing the federal *Form W-4P*, please call the IRS at 1-800-TAX-1040. For advice regarding the *New Jersey Form W-4P*, call the New Jersey Division of Taxation at 1-800-323-4400.

TWO WAYS TO OBTAIN YOUR CURRENT CHECK INFORMATION

Member Benefits Online System (MBOS)

If you are a registered MBOS user you can view your current *Statement of Allowances and Deductions* online. To register for MBOS visit the Division of Pensions and Benefits' Web site:

www.state.nj.us/treasury/pensions

or

Automated Information System

Dial - (609) 777-1777

Enter Your Social Security Number



To Request Retirement Information



To Hear Current Check Information

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Cost-of-Living Adjustments

Public Employees' Retirement System • Teachers' Pension and Annuity Fund
Police and Firemen's Retirement System • State Police Retirement System
Consolidated Police and Firemen's Pension Fund • Prison Officers' Pension Fund

Consumer Price Index (CPI) factors show no increase in the CPI between August 2008 and August 2009. In compliance with State law, because there is no increase in the CPI there can be no increase in the cost-of-living adjustment for benefits paid in 2010.

The Pension Adjustment Program provides a cost-of-living adjustment (or COLA) to you and your eligible survivors if you are receiving a monthly retirement allowance from one of the state-administered retirement systems listed above. Your first COLA is paid in your pension allowance the 25th month after your date of retirement. Subsequent cost-of-living adjustments are computed annually and the adjustment is reflected in the February 1st check (which is payment for the month of January). If your beneficiary is entitled to receive a monthly pension upon your death, the COLA will be applied to that benefit based upon your year of retirement.

The Division of Pensions and Benefits uses the CPI for Urban Wage Earners and Clerical Workers (CPI-W), U.S. City Average, All Items, 1982-84=100. Your rate of increase is equal to 60 percent of the percentage of change between the average CPI for the calendar year in which you retired and the average CPI for the 12 month period ending August 31st immediately preceding the year when the adjustment is payable.

Example: To calculate the COLA due February 1, 2009

A member retired in 2000 with a monthly retirement allowance of \$1,278.35*. The average CPI for the twelve months ending December 31, 2000 was 168.9. The average CPI for the twelve months ending August 31, 2008 was 209.44.

- To calculate the change in the CPI, subtract 168.9 from 209.44.

$$209.44 - 168.9 = 40.54$$

- To calculate the percentage change in the CPI between the retirement year 2000 and the 12 months ending August 31, 2008, divide 40.54 by 168.9. The result is 24.002%.

$$40.54 \div 168.9 = 24.002\%$$

- The cost-of-living adjustment rate for February 1, 2009 equals 60% of 24.002%, or 14.401%.

$$60\% \times 24.002\% = 14.401\%$$

- Therefore, the cost-of-living adjustment for this member is 14.401% of \$1,278.35, or \$184.10.

$$\$1,278.35 \times 14.401\% = \$184.10$$

- The total monthly benefit equals \$1462.45

$$\$1,278.35 + \$184.10 = \$1,462.45$$

Your current cost-of-living adjustment amount can be found under the "Current Earnings" section on your February retirement benefit check stub.

You can view your current COLA amount at any time through the Member Benefits Online System (MBOS). Registration information for MBOS is available on the Division of Pensions and Benefits Web site: www.state.nj.us/treasury/pensions After you complete the MBOS registration process, simply log on to MBOS and select the "Retired Account Information" button on the MBOS home page.

You can also verify your current allowance and deduction information at any time by calling our Automated Information System, (609) 777-1777. When calling, you will be asked to enter your Social Security number.

**If the member chose Option 1, the COLA would be calculated on the Maximum Option.*

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Taxation of Retirement Benefits

All Funds

HOW ARE MY PENSION BENEFITS TAXED FOR FEDERAL PURPOSES?

Pension benefits (except for Accidental Disability retirement and Accidental Death benefits) are subject to federal income tax; however, if you paid tax on any of your contributions to the pension plan, that portion of your monthly benefits representing a return of your previously-taxed contributions is not taxable.

Contributions made to the pension plan prior to January 1, 1987 were already taxed as were any purchases of optional pension membership credit made before 2002. After January 1, 2002 some purchases may have been made with previously-taxed money. Therefore, if you began contributing to the pension plan prior to January 1, 1987, or if you purchased pension membership since then, all or a portion of your total contributions may have been previously subject to federal tax.

The rate at which you can recover your previously-taxed contributions is determined in part by your retirement date.

If you retired before August 1, 1986 — you were able to fully recover your contributions before having to pay tax on your benefits. Once you recovered your contributions, your benefits became fully taxable. *The exception is if you did not fully recover your contributions within the first three years of retirement. In that case, you had to recover your contributions under the IRS expected return rule explained below.*

If you retired on or after August 1, 1986 — you must recover your contributions under the expected return rule. Under this rule, you recover your contributions evenly over your expected lifetime or the combined lifetime of you and your pension beneficiary. This means that only a small portion of each monthly benefit is considered a return of your previously-taxed contributions and is tax-free.

CALCULATING THE NON-TAXABLE AMOUNT

If you retired after July 1, 1986 and before November 1, 1996 — your monthly nontaxable amount is determined using life expectancy tables found in *IRS Publication 939*.

If you retired on or after November 1, 1996 — the following tables are used to determine your monthly nontaxable amount:

TABLE A

Benefits Payable To Retiree Only*

Age of Retiree (at retirement)	Number of Payments
55 or less	360
56-60	310
61-65	260
66-70	210
71 or more	160

**For those retired on or after November 1, 1996 and before December 1, 1997, Table A is used even if benefits are payable to the retiree and the retiree's survivor.*

TABLE B

Benefits Payable To Retiree and Beneficiary

Combined Age of Retiree (at retirement) & Beneficiary	Number of Payments
110 or less	410
111-120	360
121-130	310
131-140	260
141 or more	210

The following examples illustrate how the monthly nontaxable amount is computed using Tables A and B:

Example 1 — A PERS member whose previously-taxed contributions equaled \$12,000 retires at age 62 and chooses to receive the maximum allowance

(designating no monthly pension to a surviving beneficiary). **Table A** is used because benefits are payable to the retiree **only**. The \$12,000 is divided by 260 which produces a monthly tax-free amount of \$46.15. The balance of the monthly pension is subject to federal income tax.

Example 2 — A TPAF member whose previously-taxed contributions equaled \$15,000 retires at age 60 and chooses to receive benefits under Option 2 (designating the same monthly pension to the surviving beneficiary). **Table B** is used because benefits are payable to the retiree **and** the retiree's beneficiary. The designated beneficiary is the same age as the retiree. The \$15,000 is divided by 360 which produces a monthly tax-free amount of \$41.67. The balance of the monthly pension is subject to federal income tax.

HOW LONG WILL THE NON-TAXABLE PORTION CONTINUE?

For those who retired after December 31, 1986 the monthly nontaxable amount remains in effect until all of your previously-taxed contributions are fully recovered. At that point your benefits become fully taxable.

For those who retired before December 31, 1986 the monthly nontaxable amount is effective for as long as you or your survivor receive benefits.

If benefits cease before your previously-taxed contributions are fully recovered, the remaining balance can be claimed as a deduction on the income tax return of the last recipient, provided you retired on or after July 1, 1986. If you retired before July 1, 1986, no deduction is allowed for unrecovered contributions.

WITHHOLDING FEDERAL INCOME TAX FROM YOUR PENSION CHECK

Each new retiree will automatically receive a federal withholding tax *Form W-4P* near the date of retirement. The Division of Pensions and Benefits is required by federal law to **automatically withhold federal income tax** from your pension check, based on a status of married with three allowances if you do not complete a *W-4P*. The *W-4P* allows you to elect no withholding or, if you want withholding, to inform us of your tax filing status so that we can withhold the proper amount.

WITHHOLDING NJ STATE INCOME TAX FROM YOUR PENSION CHECK

If you live in New Jersey you will automatically receive a New Jersey State withholding tax *Form NJ W-4P* near the date of retirement. Most retirees will not be subject to New Jersey income tax until they recover in pension checks the amount of the contributions which they made to the pension plan while working. If you will not recover your total contributions within three years of retirement, refer to the instructions for the *Form NJ-1040* to determine how your pension is taxed. You can find information on both the three year rule and the general rule methods in the instructions for the *Form NJ-1040*.

If you are at least 62 or considered disabled by Social Security, you may exclude the following amounts of retirement income from New Jersey income tax for the tax year indicated below:

Retirement Income Exclusions

<u>Tax Year</u>	<u>Married Filing Jointly</u>	<u>Single</u>	<u>Married Filing Separately</u>
2000	\$12,500	\$9,375	\$6,250
2001	\$15,000	\$11,250	\$7,500
2002	\$17,500	\$13,125	\$8,750
2003 and beyond	\$20,000	\$15,000	\$10,000

Note: Beginning with tax year 2005, the "Retirement Income Exclusions" listed above are limited to taxpayers with gross income of \$100,000 or less. Please see the instructions for the *Form NJ-1040* or contact the New Jersey Division of Taxation or a professional tax advisor for further information.

Unlike federal income tax, **withholding for New Jersey income tax is completely voluntary**. No New Jersey income tax will be withheld unless you authorize it by completing a *Form NJ W-4P*. The amount withheld must be at least \$10.00 per month and in even dollar amounts (no cents). If you need help deciding whether or not to have New Jersey income tax withheld or how much tax to have withheld, you can contact the New Jersey Division of Taxation at 1-800-323-4400.

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If you live outside New Jersey, you are not required to pay New Jersey income tax on the pension you receive from the retirement system. The Division of Pensions and Benefits does not withhold income tax for other states. Check with your home state's tax office to determine if your pension is taxable in your state of residence.

CHANGING YOUR WITHHOLDING AMOUNT

Retirees can now quickly and easily change their tax withholdings online using the Member Benefits Online System (MBOS). Find out more about MBOS at: www.state.nj.us/treasury/pensions

To change your withholding you must submit a new *Form W-4P* or *NJ W-4P* to the Division of Pensions and Benefits. Forms can also be found on the Internet at: www.state.nj.us/treasury/pensions. If you do not have Internet access, you can contact the Division of Pensions and Benefits at (609) 292-7524 to obtain the form.

QUESTIONS COMMONLY ASKED AFTER RETIREMENT

Will I receive a statement of pension income for tax purposes?

Yes. retirees receive *Form 1099-R* at the end of January each year, covering the previous tax year. This shows the gross retirement allowance; how much is subject to federal income tax; and the amounts, if any, that were withheld for federal and New Jersey income tax.

Am I taxed on the reimbursement of Medicare premiums?

No. Some State employees and all employees of boards of education or county colleges who retired

with 25 or more years of service, or on a disability retirement, who are enrolled in the State Health Benefits Program are reimbursed in their pension checks for the Medicare Part B premiums they pay to Social Security. If you receive this Medicare reimbursement, the gross amount of your pension checks will be greater than the gross amount shown on your *Form 1099-R* because the Medicare reimbursement is not taxable. The Medicare premium reimbursement is subtracted from your total gross income to determine the gross pension reported to the IRS.

Why doesn't my gross allowance equal 12 times the amount of my December 1 check?

When you receive a cost-of-living increase, your pension is changed each year with the February 1 check. Therefore, the gross allowance for your January 1 check is usually less than your next 11 checks.

Is my disability pension taxable?

If you are receiving a disability pension, your benefits are not subject to New Jersey income tax until you reach age 65.

If you are receiving an *Accidental* Disability pension, — or if you are a survivor receiving *Accidental Disability* or *Accidental Death* benefits — the Division of Pensions and Benefits reports your benefit as exempt from federal income tax.

Ordinary Disability pensions are subject to federal tax to the same extent as other pensions.

Any additional questions should be referred to the IRS at the number listed below.

**THE DIVISION OF PENSIONS AND BENEFITS CANNOT GIVE TAX ADVICE.
CONSULT THE IRS (1-800-TAX-1040), OR THE NJ DIVISION OF TAXATION (1-800-323-4400 in NJ),
OR YOUR TAX ADVISOR FOR ASSISTANCE.**

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Purchasing Service Credit

Public Employees' Retirement System • Teachers' Pension and Annuity Fund • Police and Firemen's Retirement System

Since your retirement allowance is based in part on the amount of service credit posted to your account at the time of retirement, it may be beneficial for you to purchase additional service credit if you are eligible to do so. **Only active members of the retirement system are permitted to purchase service credit. An active member is one who has made contributions to the retirement system within two years of his or her purchase request and who has not retired or withdrawn his or her contributions.**

Partial purchases are permitted; you may purchase all or part of any eligible service.

TYPES OF PURCHASE

If a type of service is not listed below, it is not eligible for purchase.

Temporary Service

PERS and TPAF members are eligible to purchase service credit for temporary, provisional, certain intermittent, or substitute employment if the employment was continuous and immediately preceded a permanent or regular appointment.

PFRS members are eligible to purchase temporary employment provided the service rendered was in a title eligible for participation in the PFRS, was continuous, and immediately preceded a permanent or regular appointment.

- PERS and TPAF members are allowed to purchase temporary service rendered under a *former* account provided the service was continuous and immediately preceded a permanent or regular appointment.
- PFRS members are allowed to purchase temporary service rendered under a *former* PERS or TPAF account provided the service was continuous and immediately preceded a permanent or regular appointment in the PERS or TPAF, **or** temporary service rendered under a *former* PFRS account provided the service rendered was in a title eligible for participation in the PFRS, was continuous, and immediately

preceded a permanent or regular appointment in the PFRS.

- Job Training Partnership Act (JTPA) service and its successor program established under the Workforce Investment Act of 1998 are not eligible for purchase.

Leave of Absence without Pay

PERS, TPAF, and PFRS members are eligible to purchase service credit for official leaves of absence without pay. (Maximum of 2 years for personal illness; maximum of 3 months for personal reasons.)

- Maternity-leave is considered personal illness (see note below).
- Child-care leave is eligible for purchase as a leave for personal reasons.
- A leave of absence without pay under a former membership may be eligible for purchase.

Note: A certification from a physician that a member was disabled due to pregnancy and resulting disability for the period in excess of three months is required. Otherwise, three months is the maximum period of purchase for maternity.

Former Membership Service

PERS, TPAF, and PFRS members are eligible to purchase service credited under a previous membership in any of the defined benefit retirement plans administered by the New Jersey Division of Pensions and Benefits. To be eligible for this type of purchase, the previous membership must have been terminated, either because the member withdrew the contributions in the account or no contributions were made to the account for more than two years, and the account is considered expired.

Out-of-State Service

PERS, TPAF, and PFRS members are eligible to purchase up to 10 years of public employment rendered with any state, county, municipality, school district, or public agency outside the State of New Jersey but within the United States (including U.S.

territories or possessions) provided the service rendered would have been eligible for membership in a State of New Jersey-administered defined benefit retirement system. This service is only eligible for purchase if the member is not receiving or eligible to receive retirement benefits from the out-of-state public pension fund.

Leaves of absence from out-of-state employment are not eligible for purchase.

Note: For PERS and TPAF members, Out-of-State Service requested for purchase after November 1, 2008, cannot be used to qualify for any State-paid or employer-paid health benefits in retirement.

U.S. Government Service

PERS, TPAF, and PFRS members are eligible to purchase up to 10 years of credit for civilian service rendered with the U.S. Government provided the service rendered would have been eligible for membership in a New Jersey State-administered retirement system. This service is only eligible for purchase if the member is not receiving or eligible to receive retirement benefits from the federal government based in whole or in part on this service. Unpaid leave of absence from U.S. Government Employment is not eligible for purchase.

Note: For PERS and TPAF members, U.S. Government Service requested for purchase after November 1, 2008, cannot be used to qualify for any State-paid or employer-paid health benefits in retirement.

Military Service before Enrollment

PERS, TPAF, and PFRS members are eligible to purchase credit for up to 10 years of active military service rendered prior to enrollment provided the member is not receiving or eligible to receive a military pension or a pension from any other state or local source for such military service. A member receiving or eligible to receive a military pension, based in whole or in part on **service in the reserves**, may purchase credit for active military service.

Active military service eligible for purchase means full-time duty in the active military service of the United States and includes full-time training duty, annual training duty, and attendance, while in the active military service, at a school designated as a

service school by law or by the Secretary of the military department concerned. It cannot include periods of service of less than 30 days. It does not include weekend drills or annual summer training of a national guard or reserve unit.

If you qualify as a veteran, you may be eligible to purchase an additional five years of military service.

Military Service after Enrollment

Under the requirements of the federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), members may receive credit for military service rendered after October 13, 1994. The member must be enrolled in a New Jersey State-administered retirement system when entering the peacetime military service and, when discharged from or otherwise ending military service, must return to employment within the time periods prescribed by federal law in a position covered by a New Jersey State-administered retirement system.

USERRA eligible service will only be used to determine *eligibility* for benefits. The calculation of retirement benefits will not use the USERRA eligible service unless the employee pays the required pension contributions for the period of military service.

Uncredited Service

Any regular employment with a public employer in New Jersey for which the member did not receive retirement credit and which would have been previous compulsory membership (see Important Notes on page 4).

Local Retirement System Service

PERS, TPAF, and PFRS members are able to purchase service credit established within a local retirement system in New Jersey if they were ineligible to transfer that service to the State retirement system upon withdrawal from the local retirement system. This service is only eligible for purchase if the member is not receiving or eligible to receive retirement benefits from that local retirement system.

Note: For PERS and PFRS, Local Retirement System Service is a full-cost purchase. For TPAF members, Local Retirement System Service is a shared-cost purchase.

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Layoff (PFRS only)

Members of the Police and Firemen's Retirement System (PFRS) who were laid off and were in good standing at the time of separation from employment (not released for misconduct or delinquency), and who are subsequently rehired to a similar (police or firefighter) service position in the PFRS, can purchase up to three years for the time period in which the member was laid off. The member must now be an actively contributing member of PFRS to make this type of purchase.

The cost of a layoff purchase is calculated using the salary for the 12 months prior to the layoff.

Employment with Other Agencies (PFRS only)

If you have at least 20 years of service credit in the PFRS and you leave to accept a full-time position (with your employer's approval) in one of the agencies listed below, you may purchase a maximum of three years of such service upon your return to covered employment.

- a federal agency;
- an agency of another state or local government; or
- an organization whose principal function is offering professional, advisory, research, educational, or developmental services to governments or universities concerned with public management.

**PROCEDURES FOR
PURCHASING SERVICE CREDIT**

In order to obtain a quotation of the service credit you are eligible to purchase and the cost of that purchase, you will need to submit an *Application to Purchase Service Credit* to the Division of Pensions and Benefits. Registered Member Benefits Online System (MBOS) users can easily apply for a purchase online. For more information on how to register for MBOS go to: www.state.nj.us/treasury/pensions If you do not have Internet access the application is available from your employer or by contacting the Division of Pensions and Benefits, Office of Client Services.

You can receive an **estimate** of the cost of purchasing service credit by calling our Automated Information System at (609) 777-1777 or by using

the online purchase calculator on the Division of Pensions and Benefits Web site:

www.state.nj.us/treasury/pensions

The cost of a purchase is based on the following:

- your nearest age at the time the Division receives your application;
- your current annual salary or highest fiscal year salary posted to your account, whichever is higher (except for layoff purchases for PFRS members);
- the amount of service you are purchasing; and
- whether the purchase is a shared-cost or full-cost purchase (see Important Notes on page 4).

The cost of the purchase will normally increase with an increase in your age and/or salary.

If the Division of Pensions and Benefits determines that service credit is eligible for purchase, a letter quoting the cost to purchase service and an authorization form will be mailed to you. To authorize the purchase, you must complete the authorization form and return it to the Division of Pensions and Benefits within 90 days from the the date of the letter.

**PAYING FOR A PURCHASE
OF SERVICE CREDIT**

You may pay for a purchase service credit:

- with one lump-sum payment;
- by having extra payroll deductions withheld from your pay. The minimum deduction is equal to one-half of the full rate of contribution to the pension system (2.75 percent of salary for PERS and TPAF members and 4.25 percent of salary for PFRS members) over a maximum period of 10 years and includes interest of 8.25 percent;
- by making an initial down payment and having the remainder paid through payroll deductions; or
- with a direct rollover or trustee-to-trustee transfer of tax-deferred funds from a qualified retirement plan. These include:
 - 401(a) qualified plan (including 401(k) plan) and 403(a) qualified annuity

- 403(b) Tax-Sheltered Annuity Plan
- 457(b) State and Local Government Deferred Compensation Plan
- IRA with tax-deferred funds
 - Traditional IRA
 - Simple IRA (must be over 2 years old)
 - Simplified Employee Pension Plan (SEP)
 - Conduit IRA
 - Rollover IRA

Note: The Division cannot accept rollovers from a Roth IRA or a Coverdell Education Savings Account (formerly known as an education IRA).

Lump-sum or partial payments should be included with the return of your *Purchase Authorization* form to the Division. If you elect to have payroll deductions (including partial payments) you will receive a *Certification of Payroll Deductions* after your authorization form has been processed.

Lump-sum and partial payments cannot be refunded for any reason. Partial payments are not permitted after deductions begin; however, you may pay off the entire purchase in one lump-sum payment at any time after deductions have been scheduled or you may request a cancellation of your remaining payroll deductions and receive only a portion of the service.

If you decide to cancel a purchase and future payroll deductions, and have the service credit prorated for the amount you have paid toward the purchase, a request must be made in writing to the Adjustment Section, Division of Pensions and Benefits, PO Box 295, Trenton, 08625-0295. Your cancellation and proration will automatically be projected into the next payroll certification date (approximately one month for employees whose contributions are reported monthly to the Division or three pay periods for employees whose contributions are reported to the Division on a biweekly basis).

Members who have applied for retirement can request a proration for a *future* date. Otherwise, if you retire before completing all of the scheduled payments, you will automatically receive prorated

credit for the amount of service you have paid for or you can pay the remaining balance in a lump-sum and receive full credit.

IMPORTANT NOTES

Out-of-State Service and U.S. Government Service

Out-of-State Service, U.S. Government Service, or service with a bi-state or multi-state agency, requested for purchase after November 1, 2008, cannot be used by PERS or TPAF members to qualify for any State-paid or employer-paid health benefits in retirement.

The purchase of Out-of-State and/or U.S. Government Service may be used to increase a member's monthly retirement allowance.

Ordinary Disability Retirement

The purchase of Out-of-State, U.S. Government, or Military Service before enrollment cannot be used to qualify for an Ordinary Disability retirement.

Military Veterans and Non-Veterans

If you qualify as a **non-veteran**, you are eligible to purchase an aggregate of 10 years of service credit for work outside New Jersey (Out-of-State, Military, and U.S. Government Service).

If you qualify as a **veteran**, you may be eligible to purchase an additional 5 years of military service rendered during periods of war for an aggregate of 15 years of service outside New Jersey (Out-of-State, Military, and U.S. Government Service).

See Fact Sheet #17, *Veteran Status*, for additional information.

Military Service after Enrollment may qualify for purchase under the Uniformed Services Employment and Reenrollment Rights Act (USERRA).

Shared and Full Cost Purchase

For most types of purchase, the cost is shared between the employee and the employers who participate in the pension plan. When statute specifically provides that the employer shall not be liable for any costs of the purchase, you as the member must pay the full cost. If you purchase Local

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Retirement System Service (PERS and PFRS only), U.S. Government Service, Military Service before Enrollment, Layoff (PFRS only), or Employment in Other Agencies (PFRS only) you are responsible for the the full cost. Therefore, the cost to you for purchasing these types of service will be twice the cost for other types of purchase.

The purchase of Uncredited service is a shared cost purchase, however, the employer bears no cost for this type of purchase. The purchase of Local Retirement System service for TPAF members is a shared cost purchase.

Concurrent Service

A member cannot purchase periods of concurrent service. For example, a member has service credit in the Public Employees' Retirement System from 1995 to 1999 due to part-time PERS employment and was also employed full-time as a teacher and a member of the Teachers' Pension and Annuity Fund. If this member terminated the PERS employ-

ment and withdrew their contributions, the member cannot now purchase the PERS former membership as the member already has service credit in TPAF for the same period of time.

Leave of Absence

If you are on a leave of absence for two or more years, additional interest will be assessed on any outstanding balance of your purchase. However, if you separate from employment for two or more years (other than on a leave of absence), the purchase will be canceled and the service credit prorated.

Taxation of Purchase Payments

Except when funded by a rollover from another tax deferred plan, the contributions you make to purchase service credit are not federally tax deferred like your normal pension contributions. These contributions will not be included as taxable income when you start receiving benefits at retirement.

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Estimating the Cost of Purchasing Service Credit

Public Employees' Retirement System • Teachers' Pension and Annuity Fund

The cost of purchasing service credit is based on your nearest age at the time the Division of Pensions and Benefits receives your purchase application and the higher of your current annual base salary or highest fiscal year (July 1 to June 30) base salary as a member of the retirement system. For most members, the cost of the purchase will normally increase with an increase in your age and/or salary.

You may purchase service credit:

- in one lump-sum payment; or
- by having extra payroll deductions withheld from your pay (the minimum deduction must be at least one-half of your rate of pension contribution over a maximum of 10 years and includes interest of 8.25 percent); or
- by paying a single down payment and paying the remainder through payroll deductions.

See Fact Sheet #1, *Purchasing Service Credit*, for a detailed explanation of the various types of service eligible for purchase. You do not have to purchase all of the eligible service. Partial purchases are permitted.

Before you submit your application to purchase service credit, you may want to estimate the cost yourself. Please follow the instructions below to determine the cost of your purchase. You can receive an *estimate* of the cost of purchasing service credit by calling our Automated Information System at (609) 777-1777 or by using the online purchase calculator on the Division of Pensions and Benefits Web site: www.state.nj.us/treasury/pensions

DETERMINING THE COST OF PURCHASING SERVICE CREDIT

Using the chart, on page 3 of this fact sheet, locate your **nearest age** and the corresponding purchase factor for that age. For example, if you are 35 years and 5 months of age at the time of your request, your nearest age is 35 years of age and the corresponding

factor is .039. If you are 35 years and 6 months of age at the time of your request, your nearest age is 36 years of age and the corresponding factor is .040.

Example: You wish to buy 3 years and 6 months of eligible temporary service you rendered to your current employer **before enrollment in the retirement system**. You are 35 years and 6 months of age at the time of your request and your current annual base salary is \$40,000. (This is the highest salary you have earned during your membership in the retirement system.)

To calculate the cost of this purchase, multiply the factor corresponding to the age of 36 (.040) times the annual salary (\$40,000). This equals \$1,600. Multiply \$1,600 times the number of years being purchased (3.5). The estimated total lump-sum cost of this purchase is \$5,600.

Shared Cost Purchase

The procedure described above can be used to calculate the cost of the following *shared cost* purchases: Temporary Service, Former Membership in a New Jersey State-administered retirement system, Leaves of Absence, Out-of-State Service, Uncredited Service, and Local Retirement System Service (TPAF only).

Full Cost Purchases

To calculate the purchase cost of Military Service, Local Retirement System (PERS only), and U.S. Government Civilian Service, you use the same procedure **except you must double the resulting cost**. In the example used, the *full cost* for these types of purchases would be \$11,200 ($0.040 \times \$40,000 \times 3.5 \times 2$).

SUBMITTING A REQUEST TO PURCHASE SERVICE CREDIT

In order to purchase service credit, you must submit an *Application to Purchase Service Credit* to the

Division of Pensions and Benefits. If eligible, you will receive a *Purchase Quotation Letter*.

An online *Application to Purchase Service Credit* is available through the Member Benefits Online System (MBOS) where registered MBOS users can submit or track a purchase request. Using MBOS provides the fastest processing of purchase requests. Additional information on using MBOS can be found in the *MBOS Users' Guide*, available on MBOS and on the Division's Web site at:

www.state.nj.us/treasury/pensions

Members may also choose to submit a paper *Application to Purchase Service Credit* to the Division of Pensions and Benefits. (If you apply using MBOS, **do not** send in a duplicate paper application, as it will delay the process.)

Cancelling Your Request

When you agree to purchase service credit through payroll deductions, the Division of Pensions and Benefits assumes that you will complete the pur-

chase and credits your account with the entire amount of service. Once you have given authorization to purchase service credit to the Division, you cannot rescind a purchase and receive a refund of any payments. You may cancel future deductions and have your service credit prorated for the amount previously purchased.

Cancellation requests must be made in writing to the Adjustment Section, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295. Your cancellation and prorate will automatically be projected into the next payroll certification date (approximately one month for employees whose contributions are reported monthly to the Division or three pay periods for employees whose contributions are reported to the Division on a biweekly basis).

Only members who have applied for retirement can request a prorate for a *future* date. Otherwise, if you retire before completing all required payments, you will automatically receive prorated credit for the amount of service actually purchased or you can pay the balance and receive full credit.

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WORKSHEET

SHARED COST PURCHASES

To estimate the cost of purchasing Temporary Service, Former Membership in a New Jersey State-administered retirement system, Uncredited Service, Leaves of Absence, Out-of-State Service, Uncredited Service, or Local Retirement System Service (TPAF only) use the worksheet below:

$$\frac{\text{Age factor} \times \text{Highest Annual Salary}}{\text{Cost of 1 Year}} \times \text{Number of Years Purchased} = \text{Total Cost}$$

FULL COST PURCHASES

To estimate the cost of purchasing Military Service, U.S. Government Civilian Service, or Local Retirement System Service (PERS only) use the worksheet below:

$$\frac{\text{Age factor} \times \text{Highest Annual Salary}}{\text{Cost of 1 Year}} \times \text{Number of Years Purchased} \times 2 = \text{Total Cost}$$

Age at Purchase	Purchase Factor*	Age at Purchase	Purchase Factor*	Age at Purchase	Purchase Factor*	Age at Purchase	Purchase Factor*
20	0.031	33	0.038	46	0.050	59	0.071
21	0.032	34	0.039	47	0.051	60	0.073
22	0.032	35	0.039	48	0.052	61	0.072
23	0.033	36	0.040	49	0.054	62	0.071
24	0.033	37	0.041	50	0.055	63	0.070
25	0.033	38	0.042	51	0.057	64	0.068
26	0.034	39	0.043	52	0.058	65	0.067
27	0.034	40	0.044	53	0.060	66	0.066
28	0.035	41	0.045	54	0.061	67	0.064
29	0.036	42	0.046	55	0.063	68	0.063
30	0.036	43	0.047	56	0.065	69	0.062
31	0.037	44	0.048	57	0.067	70 (and over)	0.060
32	0.037	45	0.049	58	0.069		

**The cost factors have been rounded, your actual cost may vary.*

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Enrolling in Health Benefits Coverage When You Retire

State Health Benefits Program and School Employees' Health Benefits Program

ELIGIBILITY

The following full-time employees, who are eligible for health insurance coverage **until their retirement date**, will be offered State Health Benefits Program (SHBP) or School Employees' Health Benefits Program (SEHBP) coverage for themselves and their eligible dependents when they retire:

- State employees, employees of State universities/colleges and autonomous State agencies and commissions, as well as local government employees who were covered by the State Health Benefits Program (SHBP).
- Members of the Teachers' Pension and Annuity Fund (TPAF) and school board or county college employees enrolled in the Public Employees' Retirement System (PERS) who retire with 25 years or more of service credit in the pension fund* or who retire on a disability retirement, even if their employer did not cover its employees under the School Employees' Health Benefits Program (SEHBP). This also includes those who elect to defer retirement with 25 or more years of service credit in the pension fund.
- Members of the TPAF and PERS who **retired** from a board of education, vocational/technical school, or special services commission, with less than 25 years of service credit if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B.
- Participants in the Alternate Benefit Program (ABP) who retire with at least 25 years of credited ABP service* or those who are on a long-term disability.
- Certain local policemen or firemen with 25 years or more of service credit in the pension fund* or retiring on a disability retirement if the

employer does not provide any payment or compensation toward the cost of the retiree's health benefits in accordance with Chapter 330, P.L. 1997. A qualified retiree may enroll at the time of retirement or when eligible for Medicare.

ENROLLMENT

Generally, your employer will continue to cover you in the active employee group for one month beyond your termination of employment. **Eligible members whose employer does not participate in the SHBP or SEHBP will be enrolled as of their retirement date.**

Continuation of your health benefits into retirement is **not automatic**. When the Division of Pensions and Benefits receives your *Application for Retirement Allowance*, notification is sent to the Health Benefits Bureau. If you file your application at least three months before your retirement date, you will be sent a letter offering you enrollment in the retired group of either the SHBP or SEHBP about two months before your retirement date. You must complete and return the *Retired Coverage Enrollment Application* to be enrolled. If you are waiving coverage because of other coverage, an application must be submitted at the time of retirement in order to be eligible for enrollment if you lose the other coverage. If you do not submit an application within 60 days of your retirement date, you will not be permitted to enroll at a later date. If you are not eligible for employer-paid coverage, the premium will be deducted from your monthly retirement check, or you will be billed on a monthly basis if the amount of your retirement check is not enough to cover your premium.

Prescription drug coverage is included with all retiree medical plans.

Multiple coverage under the SHBP and/or SEHBP is prohibited. State statute specifically prohibits two members who are each enrolled in

* See "Combining Service Credit from More than One Retirement System" on page 3.

SHBP/SEHBP plans from covering each other. Therefore, an eligible individual may only enroll in the SHBP/SEHBP as an employee or retiree, or be covered as a dependent.

For example: A husband and wife both have coverage based on their employment and have children eligible for coverage. One may choose Family coverage, covering the spouse and children as dependents and ineligible for any other SHBP/SEHBP coverage; or one may choose Single coverage and the spouse may choose Parent and Child(ren) coverage.

NOTE: If you are eligible for SHBP/SEHBP retired group coverage but have other coverage through your spouse/partner, you must complete a *Retired Coverage Enrollment Application* and indicate your selection to waive your SHBP/SEHBP coverage. Otherwise you will be considered “terminated” from the SHBP/SEHBP and you will not be permitted to reenter the program. Waving your right to coverage at this time and will insure that if you lose the other coverage, you may rejoin the SHBP/SEHBP at a later time (see page 5).

If you had **dental care coverage** through your employer you may be eligible to continue coverage through the Retiree Dental Expense Plan (see Fact Sheet #73, *Retiree Dental Expense Plan*, for more information).

MEDICARE COVERAGE IS REQUIRED

Retired group members and their dependents eligible for Medicare must enroll in Parts A and B of Medicare. Attach a photocopy of your and/or your dependent’s Medicare ID card, or a letter of confirmation from Social Security stating the effective dates of Medicare enrollment, to the application for health benefits coverage. If you and/or your dependent is age 65 or have a Social Security Disability at retirement and have not enrolled in both Parts A and B of Medicare, you should contact Social Security to apply for Parts A and B Medicare coverage 90 days prior to your retirement date.

If you and/or your eligible dependents become eligible for Medicare due to turning age 65 or 24 months after approval of Social Security Disability after you retire, you and/or your dependents must enroll in Medicare Parts A and B. If you and/or your depend-

ents do not enroll in both parts of Medicare when eligible, your health benefits coverage will terminate.

Medicare Part D

The SHBP and SEHBP prescription drug benefits are equal to or better than the standard Medicare Part D plan, **most Medicare eligible retirees and/or their Medicare eligible dependents need not enroll in Medicare Part D.** While some SHBP or SEHBP members who qualify for low income subsidy programs may find it beneficial to enroll in Medicare Part D, once you and/or a dependent enroll in a Medicare Part D plan, the person enrolled in Medicare Part D will lose their SHBP or SEHBP prescription drug coverage. In addition, the SHBP and SEHBP will not cover the costs of any drugs that are not covered by the Medicare Part D plan.

HOW MEDICARE AFFECTS THE COST OF RETIRED GROUP COVERAGE

If you are paying the full cost of your coverage, the cost generally decreases when you and/or your dependent enrolls in Medicare Parts A and B since most medical plans charge lower premiums for Medicare eligible members.

COVERAGE COSTS

Any employee, who enrolls in a State or locally-administered retirement system after May 21, 2010 and retires with 25 or more years of service credit and any who retires on a disability retirement on or after June 1, 2010, must pay a minimum of 1.5% of their monthly retirement allowance as a health contribution in retirement.

State Employees and Employees of State Universities/Colleges: If you had 25 or more years of service credited in one pension system **before** July 1, 1997, the State of New Jersey agreed to pay the full health benefit cost in retirement. In addition, you will be reimbursed for the standard cost of any Medicare Part B premiums paid by you and/or your spouse, civil union partner, or eligible same-sex domestic partner (see definitions on page 4).

If you attain 25 years of service **after** July 1, 1997 or retire on a disability retirement you may share in the health insurance costs according to the terms spec-

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ified in the appropriate bargaining unit agreements in effect at the time you reached your 25 years credited in the retirement system or retired with a disability retirement. Any reimbursement of Medicare Part B premiums paid by you and/or your spouse, civil union partner, or eligible domestic partner may *also be limited by the terms of the bargaining unit agreement.*

If you are a State employee enrolled in the TPAF and you retire with 25 or more years of service in the retirement system or on a disability retirement, the State will pay for your health benefits coverage in retirement and you will be reimbursed for the standard cost of Medicare Part B premiums paid by you and/or your spouse, civil union partner, or eligible same-sex domestic partner.

State employees and employees of State universities/colleges who do not retire on a disability retirement or do not have 25 or more years of service credited in the retirement system at the time of retirement **pay the full cost** of health benefits coverage. Premiums are usually deducted from the monthly pension checks. If the monthly retirement allowance is not sufficient to cover the premium, you will be billed monthly.

School Board and County College Employees:

The State of New Jersey, by law, pays for the health benefit cost for school board and county college employees who retire with 25 or more years of service credit in the retirement system and for those approved for disability retirement. In addition, the State will reimburse you for the standard Medicare Part B premiums paid by you and/or your spouse, civil union partner, or eligible same-sex domestic partner.

Other Local Employees: Chapter 48, P.L. 1999, gives local employers who participate in the SHBP the option of paying for the cost of health premiums and/or Medicare Part B premiums for their retirees, as negotiated with the various bargaining agents for their employees. Employers may pay for the following groups of retiring employees:

- Employees who retire on a disability retirement;
- Employees with 25 years of service in the retirement system. The employer may further

require a certain number of years of service with that employer or that the employee be at least age 65 at the time of retirement;

- Employees who are at least age 62 with 15 or more years of service with the employer.

If the employer does not pay for retiree health benefit premiums or only pays for a portion of them, the retirees have deductions taken from their monthly pension checks. If the monthly check is not sufficient to cover the premium, the retiree is billed monthly.

Some local employers agreed before the enactment of Chapter 48, to pay under the provisions of Chapter 88, P.L. 1974, for the health benefits for employees who retired with 25 or more years of service credited in one retirement system and for those approved for disability retirement. These employers also agreed to reimburse those employees for the Medicare Part B premiums paid by the member and/or their spouse, civil union partner, (and in some cases an eligible same-sex domestic partner under Chapter 246, P.L. 2003 - see page 4). Check with your employer to determine if they adopted the provisions of these laws.

COMBINING SERVICE CREDIT FROM MORE THAN ONE RETIREMENT SYSTEM

If you meet the eligibility requirements for enrollment in the SHBP or SEHBP at retirement, you may combine nonconcurrent service credit from more than one State or locally administered retirement system to meet the 25-year minimum for State- or employer-paid coverage, if eligible.

To qualify for coverage based on combined service in more than one retirement system, you must:

- Retire and be receiving a retirement benefit **from each retirement system membership;**
- Have 25 or more years of nonconcurrent pension service credit in total;
- Retire from the last retirement system after August 15, 2001;
- Be eligible for SHBP or SEHBP coverage from your last employer; and
- Notify the Health Benefits Bureau that you have an aggregate of 25 or more years of non-concurrent service in more than one public retirement system in New Jersey (see below).

Upon notification, the Health Benefits Bureau of the Division of Pensions and Benefits must verify your service with the different retirement systems before the concurrent service credit can be applied to meet the 25-year minimum for State or employer-paid coverage.

A retiree from the State, or from a participating local employer who has agreed by resolution to pay for the coverage of their retirees, must be eligible for SHBP coverage immediately prior to retirement from the last contributing employer in the retirement system.

A school board or county college retiree must be eligible for SEHBP coverage immediately prior to retirement or separation from the school board or county college. The school board or county college must have been your last contributing employer.

Notification if You Qualify Due to Service in Two or More Retirement Systems

If you retire from a position with the State or an employer who participates in the SHBP or SEHBP, you will receive a health benefits offering letter for retired group coverage. When you respond to the offering letter, you should tell us that you have over 25 years of service in two or more New Jersey public retirement systems. You should identify the retirement systems so we can verify your service credit.

If you retire from a position with a school board or county college that does not participate in the SEHBP, the Health Benefits Bureau will not know to send you an offering letter. You must contact the Health Benefits Bureau of the Division of Pensions and Benefits and tell us you have over 25 years of service in two or more New Jersey public retirement systems. You should also identify the retirement systems so we can verify your service credit.

ELIGIBLE DEPENDENTS

Your eligible dependents are your spouse, civil union partner, or an eligible same-sex domestic partner (see definitions below), and your unmarried children under age 23 who live with you in a regular parent-child relationship. Children may only be covered by one parent if both are eligible for SHBP or SEHBP coverage. See Fact Sheet #77, *Required Documentation if Enrolling Dependents for Health Benefits Coverage*, for more information.

Definition

Spouse — This is a person of the opposite sex to whom you are legally married. A photocopy of the *Marriage Certificate* and additional supporting documentation is required for enrollment.

Civil Union Partner — This is a person of the same sex with whom you have entered into a civil union. A photocopy of the New Jersey *Civil Union Certificate* or a valid certification from another jurisdiction that recognizes same-sex civil unions and additional supporting documentation is required for enrollment. The cost of a civil union partner's coverage may be subject to federal tax (see your employer or Fact Sheet #75, *Civil Unions*, for details).

Domestic Partner — This is a same-sex domestic partner, as defined under Chapter 246, P.L. 2003, the Domestic Partnership Act, of any State employee, State retiree, or an eligible employee or retiree of a participating local public entity if the local governing body adopts a resolution to provide Chapter 246 health benefits. A photocopy of the New Jersey *Certificate of Domestic Partnership* dated prior to February 19, 2007 or a valid certification from another jurisdiction that recognizes same-sex domestic partners, and additional supporting documentation is required for enrollment. The cost of same-sex domestic partner coverage may be subject to federal tax (see your employer or Fact Sheet #71, *Benefits Under the Domestic Partnership Act*, for details).

Children — This includes your unmarried children under age 23 who live with you in a regular parent-child relationship, your children who are away at school, as well as divorced children living at home provided that they are dependent upon you for support and maintenance.

If you are a single parent, divorced, or legally separated, your children who do not live with you are eligible if you can prove that you are legally required to support the children.

Stepchildren, foster children, and legal wards who are living with you may be included provided you can prove they are substantially dependent upon you for support and maintenance. An *Affidavit of Dependency* is required and is available from the Health Benefits Bureau.

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Coverage for a dependent child ends on December 31 of the year in which the child turns 23 or at the end of the month in which they marry, enter a civil union, or become independent. An enrolled child over the age of 23 who is incapable of self-support due to mental or physical incapacity may remain covered if you file for continuance of coverage with the Health Benefits Bureau and the request is approved. **You must file your request for a continuance of coverage within 31 days of the dependent's termination date.**

Coverage for Over Age Children to Age 31

Chapter 375, P.L. 2005, provides for medical and/or prescription drug coverage for an over age child by blood or law who is under the age of 31; is unmarried; has no dependent(s) of his or her own; is a resident of New Jersey or is a full-time student at an accredited public or private institution of higher education; and is not provided coverage as a subscriber, insured, enrollee, or covered person under a group or individual health benefits plan, church plan, or entitled to benefits under Medicare.

Under Chapter 375, an over age child does not have any choice in the selection of benefits but is enrolled for coverage in exactly the same plan or plans (medical and/or prescription drug) as the covered parent has selected. The covered parent is responsible for the entire cost of coverage. There is no provision for eligibility for dental or vision benefits. For more information, see Fact Sheet #74, *Health Benefits Coverage of Children to Age 31*.

ADDING OR REMOVING A DEPENDENT FROM COVERAGE

It is your responsibility to notify the Health Benefits Bureau of any change in family status. If family members are not properly enrolled, claims will not be paid. You may file an application to add dependents within 60 days of a change in family status. Examples of family status changes include marriage, civil union, domestic partnership, birth, adoption of a child, or a change in your spouse's/partner's employment that significantly affects the health benefits coverage provided by your spouse's/partner's employer. The family member will be enrolled retroactively to the date of eligibility.

If the application to add a dependent is not received within 60 days of the status change the dependent coverage effective date will be the first of the month following 60 days of the Health Benefits Bureau's receipt of the application. For example, if you are married on January 5 but do not submit an application adding your spouse to health benefits coverage until March 15, the coverage effective date for your spouse will be June 1.

You may remove family members from coverage at any time but not retroactively. Decreases in coverage will be processed on a timely basis.

Divorce or Dissolution of a Civil Union or Domestic Partnership

Coverage for your spouse ends at the end of the month in which you divorce. If you dissolve a civil union or domestic partnership, coverage for your partner ends at the end of the month in which the partnership terminates.

CHANGING PLANS

You must complete a *Retired Coverage Enrollment Application* to enroll for health benefits as a new retiree, even if you are selecting the same plan (NJ DIRECT, Aetna HMO or Aetna Medicare Open Plan for retirees with Medicare, or CIGNA HealthCare HMO) you had as an active employee.

Thereafter, you may submit a *Retired Change of Status Application* to change your plan when the rate increases, or at any time provided that you have been with that same health plan for at least 12 months.

WAIVING COVERAGE IF COVERED BY ANOTHER HEALTH PLAN

You may waive retired group health benefits coverage and retain your right to enroll at a later date if you are covered as an employee through other employment or as a dependent of your spouse, civil union partner, or eligible same-sex domestic partner in another group health plan.

If you lose your other coverage, you may enroll for health benefits coverage **within 60 days** of your loss of the other coverage. Proof of loss of the other coverage is required. Contact the Division of Pensions and Benefits to request enrollment.

Chapter 330

If you are a member of the Police and Firemen's Retirement System (PFRS) and will be enrolling under the provisions of Chapter 330, P.L. 1997, you **must** waive your coverage if you have coverage through an *active employer*. See Fact Sheet #47, *Retired Health Benefits Coverage Under Chapter 330*, for more information.

WHEN HEALTH BENEFITS COVERAGE ENDS

Coverage under retired group health benefits will terminate if:

- you formally request the termination in writing, or you complete a *Retired Change of Status Application* and select termination of coverage (**reinstatement will generally not be permitted**);
- your premiums are not paid;
- your plan discontinues services in your area and you do not submit an application to the Health Benefits Bureau to change to another plan;
- your employer withdraws from the SHBP or SEHBP (**does not apply** to retirees who qualified for State-paid coverage; i.e. former employees of local school districts or county colleges, and municipal policemen and firemen who qualify under the provisions of Chapter 330, P.L.1997);
- you or your dependents fail to enroll in Parts A and B of Medicare when eligible;
- you cease to receive retirement benefits; or
- you die (see below).

SURVIVING SPOUSE/PARTNER COVERAGE

Your spouse's/partner's coverage under your plan will terminate at the end of the month in which you die. However, your spouse or partner will be sent a letter offering continuation of coverage in the plan of their choice at their own cost. If your spouse or partner elects to continue health benefits coverage, they

will be reenrolled for coverage, without a break in coverage, upon the timely receipt of the completed and signed application. If your spouse or partner will be receiving a monthly pension check large enough to cover the premium, the premium will be deducted from the payment. If your spouse or partner will not receive a pension check or if the pension check is not large enough to cover the cost, your spouse or partner will be billed monthly for the premiums.

Some local employers have agreed to pay for the coverage of spouses or partners of deceased retirees; check with your employer to see if they provide this benefit. The State does not pay for the coverage of spouses, civil union partners, or domestic partners of deceased retirees.

ADDITIONAL INFORMATION

Registered Member Benefits Online System (MBOS) users can obtain individualized information about their health benefits coverage. To register, visit our Web site at: www.state.nj.us/treasruy/pensions

Members can also obtain health benefits information by calling the Division of Pensions and Benefits' Automated Information System at (609) 777-1777.

Questions about enrolling in the SHBP or SEHBP, changing plans, adding or deleting coverage for family members, or the monthly premiums should be directed to the Division of Pensions and Benefits' Office of Client Services by calling (609) 292-7524; by e-mail at: pensions.nj@treas.state.nj.us or by mail at the address shown at the bottom of this page.

Questions about whether a specific procedure is covered, the issuance of ID cards, or claim problems should be directed to the medical plan you selected. The plan telephone numbers are as follows:

NJ DIRECT 1-800-414-SHBP (7427);

Aetna HMO 1-877-STATE NJ (1-877-782-8365)

Aetna Medicare Open Plan 1-866-234-3129

CIGNA HealthCare HMO 1-800-564-7642

Medco 1-866-220-6512

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RETIREE DENTAL EXPENSE PLAN

Eligible Members of the State Health Benefits Program (SHBP) and School Employees' Health Benefits Program (SEHBP)

The State Health Benefits Program (SHBP) offers a Retiree Dental Expense Plan to retirees eligible to enroll in the SHBP or the School Employees' Health Benefit Program (SEHBP). The Plan is self-insured by the State and is administered by Aetna Dental. A plan summary and chart outlining the benefits of the Retiree Dental Expense Plan is found at the end of this Fact Sheet.

RETIREE ELIGIBILITY

The Retiree Dental Expense Plan is available to the following eligible retirees:

- Any retiree, including survivors, enrolled in a medical plan offered under the Retired Group of the SHBP or SEHBP at the time of retirement.
- Any retiree, including survivors, eligible for enrollment in the Retired Group of the SHBP or SEHBP but who elected to waive their medical coverage because of other SHBP or SEHBP coverage or coverage provided from another employer — as either a dependent of a spouse, civil union partner, or eligible same-sex domestic partner or through their own employment (see also, Waiver of Enrollment in Dental Coverage below).

Dependent Eligibility

The rules for dependent eligibility are the same as those for the medical plans in the Retired Group. Eligible dependents include the retiree's spouse, civil union partner, or eligible same-sex domestic partner* and children who are unmarried, under the age of 23, living with, and substantially dependent upon the retiree. The definition of children also includes adopted children, step-children, foster children, legal wards, and the children of the retiree's civil union partner or eligible same-sex domestic partner*.

Note: Duplicate coverage within the Retiree Dental Expense Plan is not permitted; an individual may be

covered as a retiree or as a dependent but not as both a retiree and a dependent. Dependent children may only be covered by one parent.

ENROLLMENT

A retiree or survivor eligible for the SHBP or SEHBP will have one opportunity to enroll in the Retiree Dental Expense Plan when the individual retires or becomes eligible for enrollment in the Retired Group. Medical plan enrollment is generally offered within 30-60 days of retirement or eligibility for benefits under the Retired Group (see also, Waiver of Enrollment in Dental Coverage below).

How to Enroll

- For new retirees or individuals becoming eligible for Retired Group coverage, the Division will send dental enrollment materials at the same time it sends Retired Group medical plan offering letters.
- Retirees who elect to waive enrollment in the Retiree Dental Expense Plan when first offered because of other group dental coverage, must contact the Division of Pensions and Benefits within 60 days of the loss of the other dental coverage to request enrollment materials (see Waiver of Enrollment in Dental Coverage below).

Waiver of Enrollment in Dental Coverage

The one-time dental plan enrollment opportunity can be deferred if an otherwise eligible individual has other group dental coverage as either a dependent of a spouse, civil union partner, or same-sex domestic partner or through their own employment. The retiree or survivor may elect to waive enrollment at the time of retirement or first offering and retain their right to enroll at a later date. If you are waiving coverage because of other coverage, an application must be submitted at the time of enrollment in order

*For more information about health benefits for domestic partners, including eligibility requirements, see Fact Sheet #71, *Benefits Under the Domestic Partnership Act*. For more information about health benefits for civil union partners see Fact Sheet #75, *Civil Unions*.

to be eligible for enrollment when you lose coverage. The individual must request enrollment within 60 days from the loss of the other group dental coverage by contacting the Division of Pensions and Benefits to request enrollment in the Retiree Dental Expense Plan. Proof of the other group dental plan termination must be submitted in the form of a *HIPPA Certification of Coverage* document or a letter from the employer or dental administrator along with the *Retired Coverage Enrollment Application*.

WHEN COVERAGE BEGINS

Generally, the effective date for your Retiree Dental Expense Plan coverage will coincide with your Retired Group medical plan enrollment date.

RETIREE DENTAL EXPENSE PLAN COSTS

Most retirees will pay the full cost of the Retiree Dental Expense Plan. The Retiree Dental Expense Plan is offered with the understanding that the State will bear no costs for the plan. Under certain circumstances, a local public employer that participates in the SHBP or SEHBP may elect to share the cost of coverage for their retirees through the adoption of the provisions of Chapter 48, P.L. 1999. The Division will take the monthly premium from the retirement allowance of the retiree. If the retirement allowance is not sufficient to cover the cost of the premium, or if the retiree does not receive a retirement allowance from the Division, then the Division will bill the retiree on a monthly basis.

For information on the monthly premiums for the Retiree Dental Expense Plan, see the rate charts that are available on the Division's Web site: www.state.nj.us/treasury/pensions/health-benefits.shtml

WHEN COVERAGE ENDS

Your Retiree Dental Expense Plan coverage will end when:

- Your medical plan coverage is terminated (unless medical coverage was waived for other coverage through a public employer, see the Retiree Eligibility section on page 1);

- you voluntarily request health or dental plan termination in writing or you complete a *Retired Change of Status Application* and select termination of Retiree Dental Expense Plan coverage;
- your medical and/or dental premiums are not paid;
- your medical coverage ends due to the fact that your former employer withdraws from the SHBP or SEHBP (does not apply to retirees who qualified for State-paid medical coverage; i.e. former employees of local school districts or county colleges, and municipal police and firefighters who qualify under the provision of Chapter 330, P. L. 1997).

When Dependent Coverage Ends

Your dependents' coverage will end when:

- they cease to be eligible dependents (e.g., divorce, dissolution of a civil union or domestic partnership; or a child marries or enters into a civil union, turns age 23, no longer lives with you, or is no longer dependent upon you for support);
- your medical plan coverage is terminated; (your surviving spouse, civil union partner, or eligible same-sex domestic partner will be able to continue coverage in the Retiree Dental Expense Plan under their own enrollment in the case of your death — in the case of a retiree's death, coverage terminates at the end of the month in which the death occurred);
- you voluntarily request termination in writing of your own or the dependent's coverage;
- your medical and/or dental premiums are not paid; or
- your medical coverage ends.

EXTENSION OF COVERAGE

The extension of coverage under the provisions of the federal COBRA law does not apply to the Retiree Dental Expense Plan. When your coverage or your dependent's coverage ends, there are no provisions for extending coverage.

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Disabled Children

If you have a child who is disabled and is therefore unable to support himself or herself, that child may be continued on your coverage (medical and dental) beyond the age of 23 with the approval of the SHBP or SEHBP. You must file a *Continuance for Dependent with Disabilities* form before January 31st of the year following the year in which the dependent turned 23 to apply for the extension.

PLAN SUMMARY

The Retiree Dental Expense Plan is a traditional indemnity, fee-for-service plan. There is a \$50 per person annual deductible, and a maximum aggregate deductible of \$150 per family, which must be met before reimbursements are made. The Retiree Dental Expense Plan reimburses covered services provided by any dental provider licensed to practice at a percentage of reasonable and customary charges.

To protect the plan and its members against the effect of retirees joining who have gone years without any dental treatment, the Plan has three benefit tiers, Tiers 1, 2, and 3 (see the chart on page 4 for the reimbursement tiers). If you enroll in the Retiree Dental Expense Plan within 60 days of leaving another group dental program in which you were enrolled for a minimum of 12 months, you will be enrolled in the highest reimbursement tier, Tier 3. If you were not covered in a group dental program within 60 days of enrolling in the Retiree Dental Expense Plan — or were enrolled in a group dental program for less than 12 months — you will be enrolled in Tier 1. After one year of coverage in Tier 1, you will move to Tier 2. After another year, you will be moved to Tier 3.

Covered Services

The Retiree Dental Expense Plan covers **preventive, basic, and major restorative** services at different levels. The deductible is waived for preventive services. The Plan does not reimburse for any orthodontic services.

Preventive Care consists of diagnostic and preventive services that are intended to maintain oral health and reduce the effects of tooth decay or gum

disease that could lead to an increased need for more costly restorative services. They include the following:

- Oral examinations (includes comprehensive, periodic, limited and specialist oral evaluations). You can have two comprehensive evaluation in a calendar year and one additional emergency or limited evaluation per year;
- Horizontal bitewing X-rays are limited to two series of four films per calendar year; vertical bitewing X-rays limited to one series of eight films per 12 month interval; full-mouth periapical X-rays limited to once per 36 months with no more than 18 films;
- Cleaning and polishing twice in a calendar year; and
- Topical application of fluoride for children under 19 twice in a calendar year.

Basic Services include the following:

- Palliative emergency treatment;
- Space maintainers;
- Simple extractions;
- Surgical extractions;
- Oral surgery;
- Anesthesia services;
- Basic restorations (amalgam and resin-based composite restorations);
- Endodontics (treatment of diseases of the dental pulp including root canal and associated services); and
- Repairs to removable and fixed dentures.

Major Restorative Services include services to restore existing teeth that cannot be restored with an amalgam, acrylic, synthetic porcelain, or composite filling restoration. Inlays, onlays, and crowns are typical examples of major restorative services. Other major restorative services include:

- Periodontal services – services involving the maintenance, reconstruction, regeneration, and treatment of the supporting structures surrounding teeth, including bone, gum tissue, and root surfaces. Root planning and scaling is limited to one treatment per quadrant every 12

RETIREE DENTAL EXPENSE PLAN REIMBURSEMENT TIERS

	TIER 1	TIER 2	TIER 3
ANNUAL DEDUCTIBLE	\$50 per person, but not more than \$150 total; waived for Preventive Care	\$50 per person, but not more than \$150 total; waived for Preventive Care	\$50 per person, but not more than \$150 total; waived for Preventive Care
COINSURANCE	80% - Preventive Care 50% - Basic Restorative 30% - Major Restorative	90% - Preventive Care 60% - Basic Restorative 40% - Major Restorative	100% - Preventive Care 70% - Basic Restorative 50% - Major Restorative
MAXIMUM ANNUAL BENEFIT	\$1,500 per person	\$1,500 per person	\$1,500 per person

months. Periodontal surgical procedures are limited to one surgery per quadrant every 36 months.

- Prosthodontic services – services using removable or fixed dentures (bridges) to replace missing teeth. Replacement of removable devices is covered only after a 5-year period from their installation.

Network Dentists

The Retiree Dental Expense Plan has a network of dentists who have agreed to accept a discounted fee for services. If a member uses a network provider, the fee for the service will generally be lower than that charged by an out-of-network dentist so the member's costs will be lower.

MORE INFORMATION ABOUT THE PLAN

For more information about the plan design or to locate dentists who are part of the Plan's provider network, contact Aetna Dental at 1-877-238-6200 or check Aetna's Web site at: www.aetna.com/docfind

For information about enrollment eligibility, contact the Division of Pensions and Benefits Office of Client Services at (609) 292-7524, or view information about the Retiree Dental Expense Plan on our Web site at: www.state.nj.us/treasury/pensions/health-benefits.shtml

Aetna Navigator

Following your enrollment in the Retiree Dental Expense Plan, you will be able to access the Aetna Navigator Web site.

Aetna Navigator provides a single source for online benefits and health-related information. As an enrolled Aetna member you can register for a secure, personalized view of your Aetna benefits wherever you have Internet access. Navigator allows you to request ID cards, verify eligibility, review coverage details, review the status of a claim, and more. To register, go to: www.aetna.com

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Employment After Retirement

Public Employees' Retirement System

With people retiring at an earlier age and living longer after retirement, the question of how employment after retirement will affect pension benefits becomes more important. This fact sheet provides information a Public Employees' Retirement System (PERS) retiree should consider when deciding on returning to the work force in either a full- or part-time capacity.

Working for private industry, the federal government, or a government agency in another state will not normally affect your PERS retirement benefits. (See the special rules for Disability Retirees on page 4.)

However, returning to public employment in New Jersey after retirement could affect your benefits as described in the following information. Your prospective employer should be able to tell you if the employment you are considering is covered by the PERS. If there is any doubt as to whether or not you are required to be reenrolled in the PERS, contact the Division of Pensions and Benefits. You will be responsible for any penalties imposed based on violation of the law.

Note: PERS retirees who return to public employment may be subject to federal tax implications under the Internal Revenue Code. This issue is currently under legal review; therefore, the Division cannot comment further on the matter. However, retirees are strongly advised to use caution if considering a return to public employment and should consult with the Internal Revenue Service or a qualified tax consultant.

PERS RETIREE RETURNING TO WORK IN A PERS COVERED POSITION

Bona Fide Retirement

PERS retirement is not considered “bona fide” until your retirement becomes “due and payable” and the employer/employee relationship is severed. This normally occurs after there has been a break in employment without pay of at least 30 days following your retirement date, or 30 days following approval of

your retirement by the PERS Board of Trustees, whichever is later.

Note: N.J.A.C. 17:2-2.6(a) requires that employees who work a 10-month school year and retire on July 1 or August 1, must count the 30-day break in service from the start of the following normal school year in September.

This means that if you return to a PERS covered position — on either a paid or voluntary basis — before the 30 days have elapsed, you should expect to continue enrollment in the PERS. Your retirement will not be considered valid, and you will remain an active employee under your original PERS account.

You will also be required to reimburse the retirement system for the amount of any retirement benefits you receive from the date of retirement and be required to pay pension contributions in the form of back deductions going back to the reenrollment date.

PERS Reenrollment Required

Membership in the PERS is required as a condition of employment if you accept regular employment in a position covered by the PERS, work at least the minimum hours per week required for PERS enrollment (35 hours per week for State employees; 32 hours per week for local government or local education employees), and you earn more than \$15,000 annually, in aggregate, from PERS-covered employment (see note, at left, on tax implications).

If, as a “bona fide” PERS retiree, you accept regular employment in a position that makes you eligible for the PERS, you must reenroll in the PERS as a condition of employment (see exceptions in the next section).

If reenrolled, your retirement allowance and any related health benefits will be canceled for the duration of your employment. If you die while in the second membership, no benefits from the previous membership or retirement are payable (except for the return of any uncollected contributions). This includes optional settlements and death benefits. (If

you are over age 60, you must prove insurability for life insurance coverage.)

Your date of reenrollment is determined under the general enrollment procedures of the PERS and you are treated as an active PERS member in all respects. You will be enrolled in a new PERS account under the membership tier in effect at the time you return to employment (see special rules for "Disability Retirees Restored to Active Service in the PERS" on page 3).

PERS Enrollment Not Permitted

Reenrollment in the PERS is not required if:

- You work *less than* the minimum hours per week required for PERS enrollment (35 hours per week for State employees; 32 hours per week for local government or local education employees — disability retirees see page 3.) See "Note" on page 1 regarding tax implications;
- You are a PERS **disability** retiree who has been approved to return to PERS covered employment but earn *less than* the minimum annual salary required for enrollment under your original PERS membership tier (see page 3 for disability retiree rules and salary limits);
- The position is not covered by Social Security;
- You are a seasonal or intermittent employee as recognized by the Division;
- You are employed under a professional services contract;
- You are employed by the New Jersey Department of Education* in a position of critical need as determined by the Commissioner of Education; or
- You are employed by a board of education* in a position of critical need as determined by the superintendent of the district on a contractual basis for a term of not more than one year. You will be able to renew the employment contract

*N.J.S.A. 43:15A-57.2(c) requires that if you accept employment with the same employer from which you retired **within 120 days of retirement**, you would have to reenroll in the retirement system.

for one additional year; however, your total period of employment with any individual board of education may not exceed a two-year period.

In addition, PERS enrollment is **optional** if you are a special service employee hired under the federal Older American Community Service Employment Act. If you decline optional enrollment in the PERS, you are entitled to collect your PERS retirement allowance while you are receiving salary as a special service employee.

FAILURE TO ENROLL IN A PERS ELIGIBLE POSITION

If you return to employment under the PERS and are eligible for membership but you fail to reenroll, you will be required to reimburse the retirement system in the amount of all retirement benefits you received since the date you should have reenrolled. In addition, you will be required to pay pension contributions in the form of back deductions back to your enrollment date. Your employer may also be liable for pension and Social Security contributions.

There is no limitation on the amount of reimbursement that may be recovered by the retirement system in these situations.

REENROLLMENT PROCEDURES

The following steps should occur when you are reemployed and reenrolled in the PERS:

1. Your employer must submit a PERS *Enrollment Application* on your behalf to the Division of Pensions and Benefits. You will be enrolled in a new PERS account under the membership tier in effect at the time you are reemployed.
2. Your retirement allowance will be suspended as of the date you are required to reenroll. The date of enrollment is not negotiable. The Retirement Bureau of the Division of Pensions and Benefits will advise you of the suspension.
3. Your *Enrollment Application* will be processed and a *Certification of Payroll Deductions* will be sent to your employer. This certification will include instructions to collect pension contributions and any back deductions, if appropriate.

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4. You will be billed for any retirement payments you received after the effective date of your new PERS enrollment. Because of the sequence of events, most retirees are enrolled in the PERS on a retroactive basis. You should therefore anticipate that you will be required to refund one or more pension checks to the retirement system.
5. On or before the effective date of your second retirement, you must file an *Application for Retirement Allowance*. You must meet all the qualifications and requirements for retirement under the PERS membership tier of your second account. Your former retirement allowance and any option selection will be restored along with any appropriate cost-of-living adjustment due based upon your original date of retirement. In addition, you will receive a retirement allowance based upon your new period of service. These two calculations are paid in separate retirement checks.

You cannot combine your first and second account to qualify for a different type of retirement — such as a Veteran Retirement. By law, the combined retirement allowances cannot be greater than the allowance you would have received if your first retirement had not occurred.

Note: Any additional allowance due as a result of the second period of service will be determined under the Service Retirement formula.

Service credit from your first and second account can be combined to qualify for employer-paid health benefits coverage. In order to receive this coverage, you must meet the eligibility requirements for State- or employer-paid coverage when you retire from your final employer in the retirement system.

RETURNING TO WORK COVERED BY A DIFFERENT STATE-ADMINISTERED RETIREMENT SYSTEM

If you return to work covered by a different New Jersey State-administered retirement system, your PERS retirement allowance may continue and you can receive salary from the employment; however, you cannot become a member of that retirement system.

Elected Officials

Under N.J.S.A. 43:3C-3f a retired member of a State-administered retirement system who is elected to public office may either continue to receive a retirement benefit from the former employment and would not be eligible for enrollment in the new retirement system, **or** may suspend the retirement benefit from the former employment and enroll in the new retirement system while serving in the elected office (upon termination of the elected office, the retirement benefit from the former employment would be reinstated).

DISABILITY RETIREES RESTORED TO ACTIVE SERVICE IN THE PERS

If you are a disability retiree, before you can return to active service in a PERS eligible title you must first prove to the satisfaction of the Board of Trustees that you are no longer disabled. A disability retiree must:

1. Make a written request to return to active service to the Division of Pensions and Benefits.
2. Submit a physician's report to the Division certifying that you are no longer disabled and can return to employment. The physician should be one with the same specialty as the physician who originally certified that you were disabled.
3. Be examined by a physician appointed by the PERS Board of Trustees.
4. Be approved for return to active service by the PERS Board of Trustees.

If approved to return to active service in a position covered by the PERS, your original PERS account and PERS membership tier are restored — provided that you work the minimum number of hours or earn the minimum annual salary required for enrollment in your original PERS membership tier (\$1,500 for Tier 1 or Tier 2 members or \$7,700 subject to annual adjustment for Tier 3 members*). When membership is restored, deductions for pension resume and you are treated as an active member in all respects.

*Tier 4 members are not eligible for Ordinary Disability or Accidental Disability Retirement, however, may qualify for disability insurance benefits.

Upon subsequent retirement, you must meet the retirement qualifications of your PERS membership tier and file an *Application for Retirement Allowance* with the Division of Pensions and Benefits before any benefits can be paid. You will receive a benefit based on total service.

DISABILITY RETIREES — EARNINGS AFTER RETIREMENT

A disability retirement allowance may be adjusted if you have earnings from any occupation after retirement. If your pension, when added to the earnings from other employment, exceeds what your former position currently pays, the law states that the disability pension shall be reduced dollar for dollar by the excess earnings above what the former position currently pays. PERS disability retirees are subject to an annual earnings test and the Division of Pensions and Benefits may request copies of your federal tax returns, *Form W-2*, and *Form 4506T*.

OTHER CONSIDERATIONS

Health Benefits Retired Group Coverage

Returning to public employment in New Jersey may affect your eligibility to continue coverage under the State Health Benefits Program (SHBP) or School Employees' Health Benefits Program (SEHBP). If your retirement allowance is suspended because you return to work in a position covered by the PERS, your retired group SHBP or SEHBP coverage is also suspended.

If you are eligible for SHBP or SEHBP coverage based on your second retirement, the Division of Pensions and Benefits will send you an offering letter and a *Retired Coverage Enrollment Application* (for health benefits enrollment). Complete and return the application. You will be asked to submit payment with your application. If your previous coverage was State-paid or employer-paid, attach a note to the application identifying your prior retirement account.

If you are not eligible for SHBP or SEHBP coverage based on your second account, you must write to the Division of Pensions and Benefits to have your retired health benefits coverage from your first account reinstated.

Returning to a position that is not covered by PERS will not affect your eligibility for retired group coverage under the SHBP or SEHBP. Maintaining retired group health benefits coverage also does not affect your eligibility for active group health coverage associated with your new (non-PERS) employment, provided that the active coverage is not through the SHBP or SEHBP — multiple SHBP/SEHBP coverage as **both** a retiree and an employee is prohibited.

If you work in a position that does not entail pension membership, the time in that position does not count towards meeting service requirements for employer-paid health benefits coverage in retirement.

Social Security Benefits

There is an earnings test for people under full retirement age receiving Social Security benefits. Check with the Social Security Administration at 1-800-772-1213 for information on earnings limits before accepting employment.

SELF EMPLOYMENT ISSUES

The Division of Pensions and Benefits is frequently approached by PERS retirees who seek recognition as independent contractors rather than employees. Many of these retirees want to resume work similar to that performed while they were public employees without it affecting their eligibility to receive PERS retirement benefits. While it is the public agency's responsibility to correctly classify the worker's employer-employee relationship, our experience indicates that workers are frequently incorrectly identified as independent contractors when they are, in fact, employees of the agency.

As a rule, the Division of Pensions and Benefits accepts the tests and standards used by the Internal Revenue Service (IRS) to determine the employer-employee relationship. Since penalties levied by the IRS can be severe, both you (the worker) and the employer should give careful consideration before classifying you as an independent contractor. In addition to IRS penalties in the event that you are incorrectly classified as an independent contractor, there are penalties relating to the PERS. The employer will be assessed delinquent enrollment charges for failing to enroll you in the retirement sys-

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tem in a timely fashion. You will also be required to refund all retirement benefits received after the date enrollment should have occurred and pay any retroactive pension contributions due on the new PERS account. **The IRS test to assess the employer-employee relationship includes the following factors:**

Behavioral Control – Included in this test are instructions and training.

(1) Instructions – if the individual receives extensive instructions on how work is to be done, this suggests an employee relationship exists. Ask how, when, or where the person is asked to do the work; what and who owns the tools or equipment used; what assistants are hired to help with the work and where and by whom supplies and services are purchased. If one receives less extensive instructions about what should be done, but not how it should be done, the person may be an independent contractor. Each of these factors will vary dependent upon the actual position.

(2) Training – If the business provides training about required procedures and methods, this indicates that the business wants the work done in a certain way, and that suggests that the individual may be an employee.

Financial Control – Included in this test are facts which would reveal whether there is a right to direct or control the business part of the work. Examples are:

(1) If the individual has made a significant investment in a position, this may qualify as an independent contractor.

(2) If the individual is not reimbursed for some or all business expenses, then he or she may qualify as an independent contractor, especially if unreimbursed business expenses are high.

(3) If the individual can realize a profit or incur a loss, this suggests that the person is in business

for themselves and may be an independent contractor.

Relationship to Parties – These are facts that illustrate how the business and the worker perceive their relationship. For example:

(1) Does the person receive benefits such as paid leave or insurance? This may indicate employee status.

(2) Written contracts – A written contract may show what both the individual and the employer intend.

No one of these factors is controlling and the response to all factors must be weighed together, under the common law definition of "employment." However, one of the most important factors for consideration is whether the employer has the right to instruct and control the employee with respect to the details of the work that is performed by the employee. There are several IRS documents that discuss how to evaluate individual circumstances that are available at: www.irs.gov

NOTICE FOR RETIREES REENROLLED IN A PERS COVERED POSITION

If you are reenrolled in the PERS after retirement, you are treated as an active member in all respects. Your retirement allowance is suspended as a result of a return to PERS covered employment and no retirement or insurance benefits associated with your former retirement will be paid to your beneficiary should you die during your second membership. If you are over the age of 60 when you reenroll, you will be required to prove insurability through physical examination before you will be covered by the group life insurance benefits of active members. Once you retire again, the death benefits associated with your first retirement become effective.

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Employment After Retirement

Teachers' Pension and Annuity Fund

With people retiring at an earlier age and living longer after retirement, the question of how employment after retirement will affect pension benefits becomes more important. This fact sheet provides information a Teachers' Pension and Annuity Fund (TPAF) retiree should consider when deciding on returning to the work force in either a full- or part-time capacity.

Working for private industry, the federal government, or a government agency in another state will not normally affect your TPAF retirement benefits. (See the special rules for Disability Retirees on page 3.)

However, returning to public employment in New Jersey after retirement could affect your benefits as described in the following information. Your prospective employer should be able to tell you if the employment you are considering is covered by the TPAF. If there is any doubt as to whether or not you are required to be reenrolled in the TPAF, contact the Division of Pensions and Benefits. You will be responsible for any penalties imposed based on violation of the law.

Note: TPAF retirees who return to public employment may be subject to federal tax implications under the Internal Revenue Code. This issue is currently under legal review; therefore, the Division cannot comment further on the matter. However, retirees are strongly advised to use caution if considering a return to public employment and should consult with the Internal Revenue Service or a qualified tax consultant.

TPAF RETIREE RETURNING TO WORK IN A TPAF COVERED POSITION

Bona Fide Retirement

TPAF retirement is not considered "bona fide" until your retirement becomes "due and payable" and the employer/employee relationship is severed. This normally occurs after there has been a break in employment without pay of at least 30 days following your retirement date, or 30 days following approval of

your retirement by the TPAF Board of Trustees, whichever is later.

Note: N.J.A.C. 17:3-21 requires that employees who work a 10-month school year and retire on July 1 or August 1, must count the 30-day break in service from the start of the following normal school year in September.

This means that if you return to a TPAF covered position — on either a paid or voluntary basis — before the 30 days have elapsed, you should expect to continue enrollment in the TPAF. Your retirement will not be considered valid, and you will remain an active employee under your original TPAF account.

You will also be required to reimburse the retirement system for the amount of any retirement benefits you receive from the date of retirement and be required to pay pension contributions in the form of back deductions going back to the reenrollment date.

TPAF Reenrollment Required

Membership in the TPAF is required as a condition of employment if:

- You are appointed to a teaching or staff position requiring certification and are employed on a regular basis (contract employee) in a position covered by Social Security; and
- You work at least the minimum number of hours per week required for TPAF Tier 4 enrollment (32 hours per week for State education or local education employees). See "Note" at left regarding tax implications.

If, as a "bona fide" TPAF retiree, you accept regular employment in a position that makes you eligible for the TPAF, you must reenroll in the TPAF as a condition of employment (see exceptions on page 2).

If reenrolled, your retirement allowance and any related health benefits will be canceled for the duration of your employment. If you die while in the second membership, no benefits from the previous membership or retirement are payable (except for

the return of any uncollected contributions). This includes optional settlements and death benefits. (If you are over age 60, you must prove insurability for life insurance coverage.)

Your date of reenrollment is determined under the general enrollment procedures of the TPAF and you are treated as an active TPAF member in all respects. You will be enrolled in a new TPAF account under the membership tier in effect at the time you return to employment (see special rules for “Disability Retirees Restored to Active Service in the TPAF” on page 3).

TPAF Enrollment Not Permitted

You cannot reenroll in the TPAF if you are employed:

- As a per diem substitute;
- As a permanent or long-term substitute;
- As a replacement for a regular employee on approved leave of absence (provided the regular employee is not on terminal leave).
- You work *less than* the minimum number of hours per week required for enrollment under TPAF Tier 4 membership (32 hours per week for State education or local education employees — see special rules for “Disability Retirees Restored to Active Service in the TPAF” on page 3). See “Note” on page 1 regarding tax implications.

Generally, non-certificated personnel are ineligible for TPAF membership. Temporary, seasonal, or substitute teachers employed on a temporary basis are also ineligible. All other teachers whose positions require certification are required to participate in the TPAF if otherwise eligible, even if paid on an hourly or per diem basis.

Certificated Superintendent or Certificated Administrator

N.J.S.A. 18A:66-53.2(c) provides an exemption from the reenrollment after retirement provisions to retirees of the TPAF who are certificated superintendents or certificated administrators (this does not apply to those retired on a disability retirement —

see page 3). Positions which require certificated administrators include that of superintendent, assistant superintendent, executive superintendent, principal, assistant principal, vice-principal, director, supervisor, school business administrator and State monitor. For a complete list of certificated administrator positions, please contact the New Jersey Department of Education.

A certificated superintendent or certificated administrator who becomes employed by the New Jersey Department of Education in a position of critical need as determined by the Commissioner of Education is exempt from the reenrollment provisions.

A certificated superintendent or certificated administrator who becomes employed by a board of education as a certificated superintendent or certificated administrator on a contractual basis for a term of not more than one year, is exempt from the reenrollment provisions. The contract for employment can be renewed for one additional year; however, the retiree’s total period of employment with any individual board of education may not exceed a two-year period.

N.J.S.A. 18A:66-53.2(c) also provides that the TPAF pension reenrollment provisions will apply **if a retiree accepts employment within 120 days of retirement** with the same employer from which the member retired.

FAILURE TO ENROLL IN A TPAF ELIGIBLE POSITION

If you return to employment under the TPAF and are eligible for membership but you fail to reenroll, you will be required to reimburse the retirement system in the amount of all retirement benefits you received since the date you should have reenrolled. In addition, you will be required to pay pension contributions in the form of back deductions back to your enrollment date. Your employer may also be liable for pension and Social Security contributions.

There is no limitation on the amount of reimbursement that may be recovered by the retirement system in these situations.

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REENROLLMENT PROCEDURES

The following steps should occur when you are reemployed and reenrolled in the TPAF:

1. Your employer must submit a TPAF *Enrollment Application* on your behalf to the Division of Pensions and Benefits. You will be enrolled in a new TPAF account under the membership tier in effect at the time you are reemployed.
2. Your retirement allowance will be suspended as of the date you are required to reenroll. The date of enrollment is not negotiable. The Retirement Bureau of the Division of Pensions and Benefits will advise you of the suspension.
3. Your *Enrollment Application* will be processed and a *Certification of Payroll Deductions* will be sent to your employer. This certification will include instructions to collect pension contributions and any back deductions, if appropriate.
4. You will be billed for any retirement payments you received after the effective date of your new TPAF enrollment. Because of the sequence of events, most retirees are enrolled in the TPAF on a retroactive basis. You should therefore anticipate that you will be required to refund one or more pension checks to the retirement system.
5. On or before the effective date of your second retirement, you must file an *Application for Retirement Allowance*. You must meet all the qualifications and requirements for retirement under the TPAF membership tier of your second account. Your former retirement allowance and any option selection will be restored along with any appropriate cost-of-living adjustment due based upon your original date of retirement. In addition, you will receive a retirement allowance based upon your new period of service. These two calculations are paid in separate retirement checks.

You cannot combine your first and second account to qualify for a different type of retirement — such as a Veteran Retirement. By law, the combined retirement allowances cannot be greater than the

allowance you would have received if your first retirement had not occurred.

Note: Any additional allowance due as a result of the second period of service will be determined under the Service Retirement formula.

Service credit from your first and second account can be combined to satisfy the 25 years of service requirement for TPAF-paid School Employees' Health Benefits Program (SEHBP) coverage. In order to be eligible for this coverage, you must be eligible for employer-paid SEHBP or local employer coverage from your last employment in the TPAF.

RETURNING TO WORK COVERED BY A DIFFERENT STATE-ADMINISTERED RETIREMENT SYSTEM

If you return to work covered by a different New Jersey State-administered retirement system, your TPAF retirement allowance may continue and you can receive salary from the employment; however, you cannot become a member of that retirement system.

Elected Officials

Under N.J.S.A. 43:3C-3f a retired member of a State-administered retirement system who is elected to public office may either continue to receive a retirement benefit from the former employment and would not be eligible for enrollment in the new retirement system, **or** may suspend the retirement benefit from the former employment and enroll in the new retirement system while serving in the elected office (upon termination of the elected office, the retirement benefit from the former employment would be reinstated).

DISABILITY RETIREES RESTORED TO ACTIVE SERVICE IN THE TPAF

If you are a disability retiree, before you can return to active service in a TPAF eligible title you must first prove to the satisfaction of the Board of Trustees that you are no longer disabled. A disability retiree must:

1. Make a written request to return to active service to the Division of Pensions and Benefits.

2. Submit a physician's report to the Division certifying that you are no longer disabled and can return to employment. The physician should be one with the same specialty as the physician who originally certified that you were disabled.
3. Be examined by a physician appointed by the TPAF Board of Trustees.
4. Be approved for return to active service by the TPAF Board of Trustees.

If approved to return to active service in a position covered by the TPAF, your original TPAF account and TPAF membership tier are restored — provided that you work the minimum number of hours or earn the minimum annual salary required for enrollment in your original TPAF membership tier (\$500 for Tier 1 or Tier 2 members or \$7,700 subject to annual adjustment for Tier 3 members*). When membership is restored, deductions for pension resume and you are treated as an active member in all respects.

Upon subsequent retirement, you must meet the retirement qualifications of your TPAF membership tier and file an *Application for Retirement Allowance* with the Division of Pensions and Benefits before any benefits can be paid. You will receive a benefit based on total service.

DISABILITY RETIREES — EARNINGS AFTER RETIREMENT

A disability retirement allowance may be adjusted if you have earnings from any occupation after retirement. If your pension, when added to the earnings from other employment, exceeds what your former position currently pays, the law states that the disability pension shall be reduced dollar for dollar by the excess earnings above what the former position currently pays. TPAF disability retirees are subject to an annual earnings test and the Division of Pensions and Benefits may request copies of your federal tax returns, *Form W-2*, and *Form 4506T*.

**Tier 4 members are not eligible for Ordinary Disability or Accidental Disability Retirement, however, the member may qualify for disability insurance benefits.*

OTHER CONSIDERATIONS

School Employees' Health Benefits Program Retired Group Coverage

Returning to public employment in New Jersey may affect your eligibility to continue coverage under the School Employees' Health Benefits Program (SEHBP). If your retirement allowance is suspended because you return to work in a position covered by the TPAF, your retired group SEHBP coverage is also suspended.

If you are eligible for SEHBP coverage based on your second retirement, the Division of Pensions and Benefits will send you an offering letter and a *Retired Coverage Enrollment Application* (for health benefits enrollment). Complete and return the application. You will be asked to submit payment with your application. If your previous coverage was TPAF-paid, attach a note to the application identifying your prior retirement account.

If you are not eligible for SEHBP coverage based on your second account, you must write to the Division to have your retired coverage from your first account reinstated.

Returning to a position that is not covered by the TPAF will not affect your eligibility for retired group coverage under the SEHBP. Maintaining SEHBP retired group coverage also does not affect your eligibility for active group health coverage associated with your new (non-TPAF) employment, provided that the active coverage is not through the SHBP or SEHBP — multiple SHBP/SEHBP coverage as **both** a retiree and an employee is prohibited.

Social Security Benefits

There is an earnings test for people under full retirement age receiving Social Security benefits. Check with the Social Security Administration at 1-800-772-1213 for information on earnings limits before accepting employment after retirement.

SELF EMPLOYMENT ISSUES

The Division of Pensions and Benefits is frequently approached by TPAF retirees who seek recognition as independent contractors rather than employees.

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Many of these retirees want to resume work similar to that performed while they were public employees without it affecting their eligibility to receive TPAF retirement benefits. While it is the public agency's responsibility to correctly classify the worker's employer-employee relationship, our experience indicates that workers are frequently incorrectly identified as independent contractors when they are, in fact, employees of the agency.

As a rule, the Division of Pensions and Benefits accepts the tests and standards used by the Internal Revenue Service (IRS) to determine the employer-employee relationship. Since penalties levied by the IRS can be severe, both you (the worker) and the employer should give careful consideration before classifying you as an independent contractor. In addition to IRS penalties and any penalties imposed by in the event that an employee has been incorrectly classified as an independent contractor, there are penalties relating to the TPAF. The employer will be assessed delinquent enrollment charges for failing to enroll you in the retirement system in a timely fashion. You will also be required to refund all retirement benefits received after the date enrollment should have occurred and pay any retroactive pension contributions due on the new TPAF account.

The IRS test to assess the employer-employee relationship includes the following factors:

- A) Behavioral Control – Included in this test are instructions and training.
- (1) Instructions – if the individual receives extensive instructions on how work is to be done, this suggests an employee relationship exists. Ask how, when, or where the person is asked to do the work; what and who owns the tools or equipment used; what assistants are hired to help with the work and where and by whom supplies and services are purchased. If one receives less extensive instructions about what should be done, but not how it should be done, the person may be an independent contractor. Each of these factors will vary dependent upon the actual position.

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Examples are:

- (1) If the individual has made a significant investment in a position, this may qualify as an independent contractor.
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- C) Relationship to Parties – These are facts that illustrate how the business and the worker perceive their relationship.

For example:

- (1) Does the person receive benefits such as paid leave or insurance? This may indicate employee status.
- (2) Written contracts – A written contract may show what both the individual and the employer intend.

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NOTICE FOR RETIREES REENROLLED IN A TPAF COVERED POSITION

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fiary should you die during your second membership. If you are over the age of 60 when you reenroll, you will be required to prove insurability through physical examination before you will be covered by the group life insurance benefits of active members. Once you retire again, the death benefits associated with your first retirement become effective.

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CAN I AFFORD TO RETIRE?

Subtract the net annual pension from the net annual salary to see how much less you will have to live on in retirement. If you have investment income or social security to make up the difference, you should be fine. If not, you may have to find other employment to supplement your pension income. Remember that you will save on work-related expenses (eating out, clothing, transportation) once you retire.

If your net annual pension is more than your net annual salary, congratulations. You will be getting more money in retirement than you were bringing home while working!

Deductions from Pension Check

(see back of page for explanation of deductions)

Income Tax	\$ _____
Loan	+ _____
Health Benefits	+ _____
Total Deductions	\$ _____

Comparing Net Salary With Net Pension

Gross monthly pension	\$ _____
Deductions	- _____
Net monthly pension	_____
	X 12 months
Net annual pension	\$ _____
Net paycheck (after deductions)	\$ _____
Number of pays per year	X _____
Net annual salary	\$ _____

Net annual salary	\$ _____
Net annual pension	- _____
Difference	\$ _____



Possible Deductions from Pension Check

Income Tax

- Federal – Tax is due as soon as you start collecting pension (see federal income tax withholding tables).
- State – If living in New Jersey, no tax is due until you have collected pension equal to your total contribution to the retirement system (unless not recovered in 3 years).

At age 62 you can exclude \$20,000 if married filing joint return or \$15,000 if single.

If living outside New Jersey, you are not subject to New Jersey income tax.

Loan

If you retire before repaying the outstanding balance of your loan, your loan payments will be carried into retirement. That is, your retirement allowance will be reduced by approximately the same monthly amount you were paying towards your loan just prior to retirement.

Health Benefits

State Employees and Employees of State Universities/Colleges: If you had 25 or more years of service credited in one pension system **before** July 1, 1997, the State of New Jersey agreed to pay the full health benefit cost in retirement. If you attain 25 years of service **after** July 1, 1997 or retire on a disability retirement you may share in the health insurance costs according to the terms specified in the appropriate bargaining unit agreements in effect at the time you reached your 25 years credited in the retirement system or retired with a disability retirement. If you are a State employee enrolled in the TPAF and you retire with 25 or more years of service in the retirement system or on a disability retirement, the State will pay for your health benefits coverage in retirement.

State employees and employees of State universities/colleges who do not retire on a disability retirement or do not have 25 or more years of service credited in the retirement system at the time of retirement **pay the full cost** of health benefits coverage. Premiums are usually deducted from the monthly pension checks. If the monthly retirement allowance is not sufficient to cover the premium, you will be billed on a monthly basis.

School Board and County College Employees: The State of New Jersey, by law, pays for the health benefit cost for school board and county college employees who retire with 25 or more years of service credit in the retirement system and for those approved for disability retirement.

Other Local Employees: Chapter 48, P.L. 1999, gives local employers who participate in the SHBP the option of paying for the cost of health premiums for their retirees, as negotiated with the various bargaining agents for their employees. Employers may pay for the following groups of retiring employees:

- Employees who retire on a disability retirement;
- Employees with 25 years of service in the retirement system. The employer may further require a certain number of years of service with that employer or that the employee be at least age 65 at the time of retirement;
- Employees who are at least age 62 with 15 or more years of service with the employer.

If the employer does not pay for retiree health benefit premiums or only pays for a portion of them, the retirees have deductions taken from their monthly pension checks. If the monthly check is not sufficient to cover the premium, the retiree is billed monthly.

Some local employers agreed before the enactment of Chapter 48, to pay under the provisions of Chapter 88, P.L. 1974, for the health benefits for employees who retired with 25 or more years of service credited in one retirement system and for those approved for disability retirement. These employers also agreed to reimburse those employees for the Medicare Part B premiums paid by the member and/or their spouse, civil union partner, (and in some cases an eligible same-sex domestic partner under Chapter 246, P.L. 2003). Check with your employer to determine if they adopted the provisions of these laws.