

# *Planning for Your Retirement*



Information for Members of the New Jersey  
**POLICE AND FIREMEN'S  
RETIREMENT SYSTEM**

**New Jersey Division of Pensions and Benefits**

PO Box 295

Trenton, NJ 08625-0295

*[www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions)*



# ***Planning for Your Retirement***

## Information for Members of the **POLICE AND FIREMEN'S RETIREMENT SYSTEM**

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Fact Sheet #6, *Your Retirement Checklist*  
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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](http://www.state.nj.us/treasury/pensions) • E-mail: [pensions.nj@treas.state.nj.us](mailto:pensions.nj@treas.state.nj.us)

## Department of the Treasury Division of Pensions and Benefits

### ACCESS THE MEMBER BENEFITS ONLINE SYSTEM (MBOS)

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 members access to their pension and, if applicable, health benefit account information.

#### Available online resources include:

- Member Account Information;
- Pension Loans — estimates and online loan application;
- Retirement Calculator;
- Payroll Certifications;
- State Deferred Compensation Plan information (if applicable);
- SACT plan information (if applicable);
- State Health Benefits Program account information (if applicable);
- More applications to be added in the near future.

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.htm](http://www.state.nj.us/treasury/pensions/mbosregister.htm)

**PLEASE BE SURE TO READ THE REGISTRATION INSTRUCTIONS** as registration requires several steps.

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

## 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.

**This is a WALK-IN SERVICE only — you CANNOT make an appointment.**

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.)

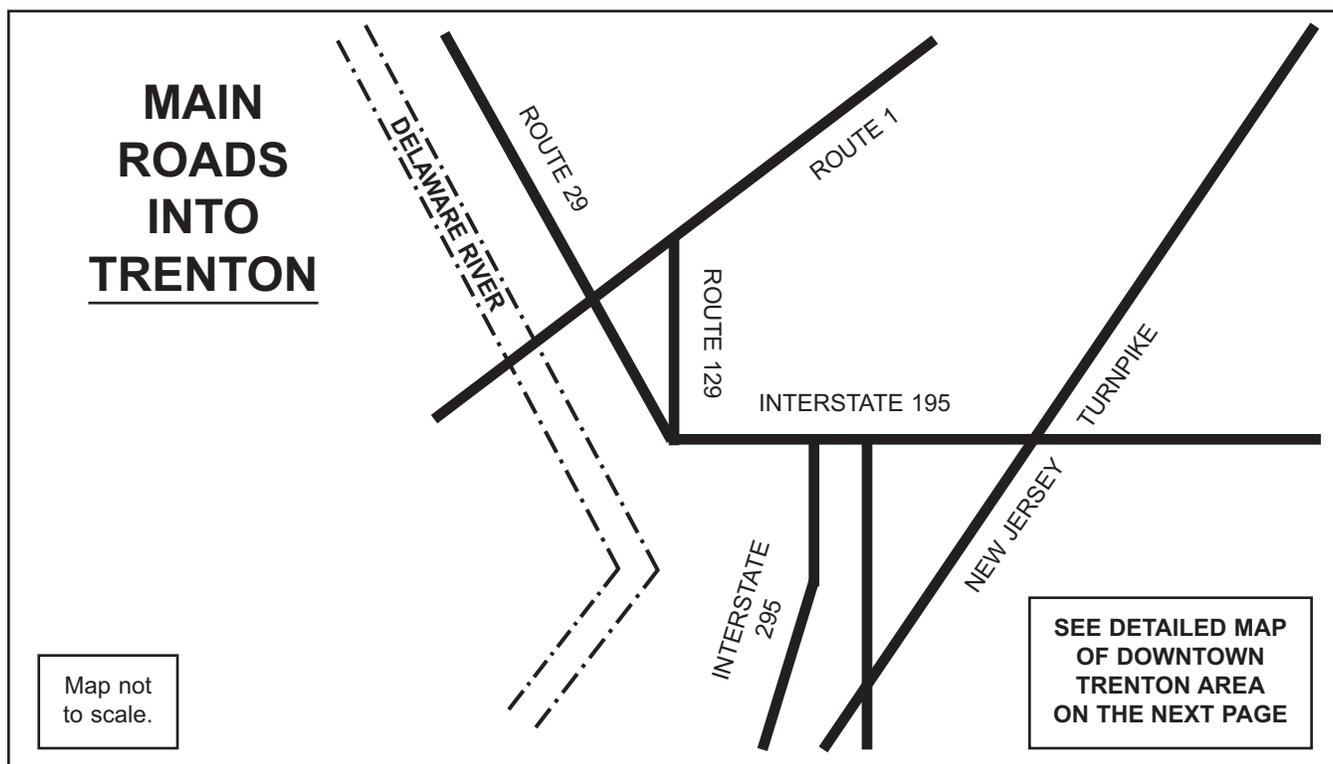
**When leaving the garage**, you will be facing the side of One State Street Square. Turn left and walk to the front entrance of the building (on West State Street). Check in with the guard in the main lobby where you will be directed to the Office of Client Services.

### 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

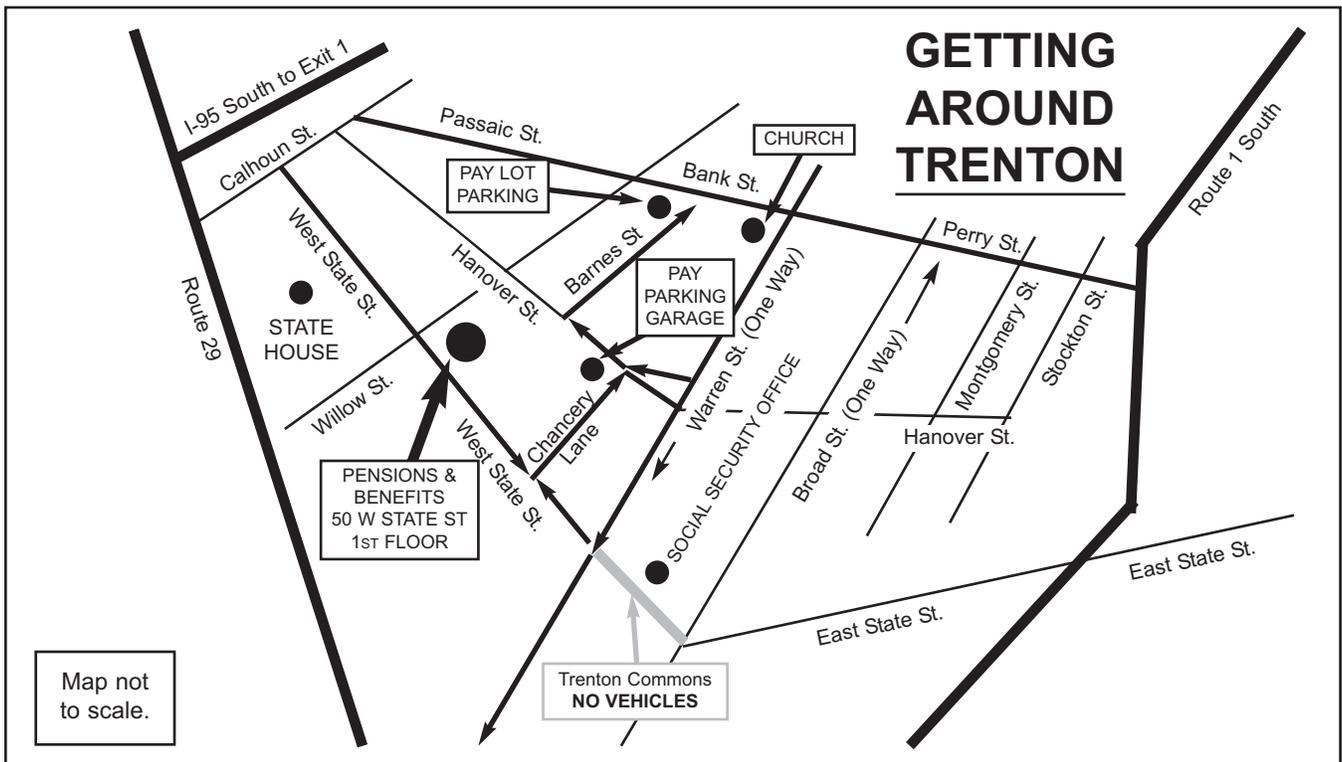
**If using the NJ Turnpike**, take **Exit 7A** and follow the directions from Northeast New Jersey via the NJ Turnpike (on previous page).

**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).



# 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.

## 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 to members of the retirement systems and other benefit programs. No appointments are taken. Counselors are available Monday through Friday (except State holidays) from 7:40 a.m. to 4:00 p.m.

## 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 7:45 a.m. to 4:15 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 7:45 a.m. to 4:15 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)
Medicare Part B (Pennsylvania Blue Shield) .....	1-800-462-9306
New Jersey Division on Aging .....	1-800-792-8820
New Jersey Division of Taxation .....	1-800-323-4400
New Jersey State Employees Deferred Compensation Plan .....	(609) 292-3605
Senior Citizens Information and Referral .....	1-800-792-8820
Social Security Administration .....	1-800-SSA-1213 (1-800-772-1213)
Supplemental Annuity Collective Trust (SACT) .....	(609) 633-2031
Veterans Administration .....	1-800-827-1000
New Jersey Bureau of Securities .....	(973) 504-3600

**Division of Pensions and Benefits Internet Address/URL — [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions)**

**Division of Pensions and Benefits E-mail — [pensions.nj@treas.state.nj.us](mailto:pensions.nj@treas.state.nj.us)**

**Social Security Internet Address/URL — [www.socialsecurity.gov](http://www.socialsecurity.gov)**

# Applying for Retirement

Police and Firemen's Retirement System

## MANDATORY RETIREMENT

Effective July 1, 1997, **retirement is mandatory at age 65** for all Police and Firemen's Retirement System (PFRS) members except for elected officials. If you do not file a retirement application before age 65, you are automatically retired on the first of the month following your 65<sup>th</sup> birthday. Retirement benefits, however, are not payable until the application is filed.

Elected officials are exempt from mandatory retirement from their elected position.

## BEFORE YOU RETIRE

You should inquire about retirement at least six months before your retirement date. This will give you enough time to review the benefits that are available to you in retirement. You may also request an *Estimate of Retirement Benefits*, which estimates your monthly retirement allowance and any benefits payable upon your death after retirement — including survivor and life insurance benefits. A *Request for Retirement Estimate* form is available from your employer, by contacting the Division of Pensions and Benefits, or over the Internet at:

[www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions)

In addition, once you have registered with the Member Benefits Online System (MBOS) you can review an estimate of your retirement benefits using service and salary information that has been recorded to your pension account. (See the Division's Web site for more information about MBOS.)

Your employer will not be notified that you requested a retirement estimate.

## SUBMITTING YOUR APPLICATION

It is your responsibility to file an *Application for Retirement Allowance*. The application must be filed with the Division of Pensions and Benefits in advance, and four to six months advanced filing is recommended. All retirements are effective the first of a month. The earliest effective date is the first of the month following the Division's receipt of your application. Retirement processing times vary and cannot begin until we have received all the necessary information and forms from **both** you and your employer. It is your

responsibility to file your *Application for Retirement Allowance* with the Division of Pensions and Benefits. **Do not give the application to your employer to mail.** You should, however, give your employer the *Certification of Service and Final Salary* and have them complete it as soon as possible.

If you have not furnished proof of your age to the Division, you should attach a photocopy of your birth certificate to your *Application for Retirement Allowance*.

## TYPES OF RETIREMENT

The following types of retirement benefits are calculated using your "Years of Service" and "Final Compensation".

- **Years of Service** means the amount of membership service you have credited to your account.
- **Final Compensation** means your base salary on which contributions were taken in the 12 months immediately preceding retirement. It does not include extra pay for overtime or money given in anticipation of your retirement.

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

### Service Retirement

This type of retirement is available at age 55 with no minimum amount of service required.

Service Retirement is also available to members of any age with 20 or more years of service credit who were members of the PFRS on January 18, 2000.

The benefit calculations are as follows:

- If you have less than 20 years of service credit, you will receive 2 percent of your Final Compensation for each year of service.
- If you have at least 20 years but less than 25 years of service credit, you will receive 50 percent of your Final Compensation.
- If you are age 65 (mandatory retirement age) and have 20 or more years of service credit, you will receive 50 percent of your Final

Compensation, plus three percent of your Final Compensation for each year of service over 20, up to 25 years, if enrolled in the PFRS as of January 18, 2000.

- If you have 40 years of service credit, you will receive 70 percent of your Final Compensation, plus an additional one percent of your Final Compensation for each year of service credit over 40 years.

### **Special Retirement**

This type of retirement is available to those members who have 25 years or more of service credit. The amount of your annual pension will be equal to 65 percent of your Final Compensation plus 1 percent for each year of service over 25 years but not to exceed 30 years. The maximum allowance is therefore 70 percent of your Final Compensation.

### **Deferred Retirement**

This type of retirement is available to those members who have at least ten years of service credit and are not yet 55 years of age when they terminate employment. The amount of your annual pension will be equal to 2 percent of your Final Compensation for each year of service.

To receive a Deferred Retirement, you must file an *Application for Retirement Allowance*. The effective date of a Deferred Retirement is the first of the month after you attain age 55. You should, however, file the application when you terminate covered employment. If you are terminated for cause, you may not be eligible to receive Deferred Retirement benefits. The PFRS Board of Trustees will make that determination at the time you file your application.

Your life insurance coverage is **not** in effect between the time you terminate employment and when your Deferred Retirement becomes effective. If you die before your Deferred Retirement becomes effective, the beneficiary on your retirement application will receive a return of your contributions, unless a subsequent *Designation of Beneficiary* form is filed. There is no other death benefit under these circumstances.

For information about converting your group life insurance to an individual policy at termination, see Fact Sheet #13, *Conversion of Group Life Insurance*, which is available from your employer, by contacting

the Division of Pensions and Benefits, or over the Internet at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**For those covered by the State Health Benefits Program (SHBP)**, you will not be able to continue that coverage under the SHBP retiree group if you apply for Deferred Retirement. However, you are entitled to continue coverage in the SHBP employee group for up to 18 months after termination of employment in accordance with federal COBRA legislation. If your retirement allowance becomes due and payable during the 18 months of extended coverage under COBRA, you would qualify for coverage in the SHBP retiree group. In this case, you will have to contact the Division of Pensions and Benefits, and request a SHBP offering letter.

At any time before your Deferred Retirement becomes effective, you may change your mind and apply for a lump-sum withdrawal of your pension contributions instead. Once you cancel your Deferred Retirement and withdraw your contributions, all the rights and privileges of membership end.

### **Disability Retirement**

For information about Disability Retirement, see Fact Sheet #16, *Disability Retirement Benefits*, which is available from your employer, by contacting the Division of Pensions and Benefits, or over the Internet at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

## **PAYMENT OF PENSION TO A SURVIVING FAMILY MEMBER**

Upon the death of a retired member, the spouse and/or child(ren) of the member may be entitled to a monthly pension. The terms used in the explanations of benefits that follow are explained here.

**"Surviving Spouse"** means the person to whom you were married on the date of your death and who has not remarried. It also means a member's domestic partner provided the member has received a New Jersey *Certificate of Domestic Partnership* through application to a local registrar and is a State employee. Employees of local government entities are also included, provided the local employer has adopted a resolution to provide domestic partner pension benefits.

**"Child"** means your unmarried child:

- under the age of 18; or

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- 18 years of age or older and enrolled in high school; or
- any age, who at the time of your death, is disabled because of mental or physical incapacity and is incapable of substantial gainful employment because of the impairment. This incapacity must last or be expected to last for a continuous period of not less than 12 months as determined by the PFRS Medical Review Board.

### **Retired Member Death Benefit**

Upon your death as a retired member, your surviving spouse is eligible to receive a pension benefit equal to 50 percent of your Final Compensation, plus 15 percent of your Final Compensation for one child or 25 percent of your Final Compensation for two or more children.

If there is no surviving spouse, the following benefit is payable to the minor children:

- 50 percent of Final Compensation to three or more eligible children;
- 35 percent of Final Compensation to two eligible children; or
- 20 percent of Final Compensation to one eligible child.

## **OTHER INFORMATION**

### **Group Life Insurance**

Most members of the retirement system are covered by group life insurance.

When you retire, the amount of your group life insurance will be equal to ½ of your Final Compensation.

If a retiree was enrolled as a member of the PFRS 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.

### **Conversion**

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

### **Employment After Retirement**

Returning to public employment in New Jersey after

your retirement may jeopardize your retirement benefits. If you return to employment in a position covered by the same retirement system from which you retired, you should expect to cancel your retirement and reenroll in the retirement system.

Before you consider returning to employment, contact the Division of Pensions and Benefits and request Fact Sheet #29, *Employment After Retirement* (PFRS), for additional information on returning to public employment in New Jersey.

### **Health Benefits**

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

Employees who are covered by the New Jersey State Health Benefits Program (SHBP) through their employer will be offered SHBP coverage when they retire.

If eligible, you will receive a letter approximately three months before your retirement date offering you enrollment in the SHBP.

Some employers have agreed to pay for the cost of coverage for those with 25 years of service credit (and those on disability retirements).

Fact Sheet #11, *Enrolling in the State Health Benefits Program When You Retire*, provides additional information about continuing your health benefits coverage in retirement.

If you are **not** covered by the State Health Benefits Program, contact your employer about continuing your coverage.

### **Chapter 330**

Chapter 330, P.L. 1997 provides health benefits under the SHBP to local (non-state employee) police officers and firefighters who retire after 25 years of service, or on a disability, and who do not receive any payment towards retiree health coverage from their employers.

If eligible, the State will pay 80 percent of the cost of the least expensive SHBP plan offered and the retiree will pay the remainder for the plan selected. A qualified retiree may enroll at the time of retirement or when becoming eligible for medicare.

The eligibility of retired police officers and firefighters for benefits under Chapter 330 depends on the health benefits provided by the employer for retired police officers and firefighters as of the effective date of the

law, July 1, 1998. These employer benefits are indicated in labor and other employment contracts, ordinances, and resolutions of the employers.

Additional information about Chapter 330 is available in Fact Sheet #47, *SHBP Retired Coverage Under Chapter 330*.

### **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 Online**

The Fact Sheets mentioned in this publication can be viewed on the Division's Web site at:

*[www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions)*

### **Fact Sheets**

Fact Sheet #11, *Enrolling in the State Health Benefits Program When You Retire*

Fact Sheet #13, *Conversion of Group Life Insurance*

Fact Sheet #18, *Cost-of-Living Adjustments*

Fact Sheet #29, *Employment After Retirement (PFRS)*

Fact Sheet #47, *SHBP Retired Coverage Under Chapter 330*

If you do not have Internet access, you can request that Fact Sheets be sent to you by calling the Division of Pensions and Benefits, Office of Client Services at (609) 292-7524.

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**URL: <http://www.state.nj.us/treasury/pensions> • E-mail: [pensions.nj@treas.state.nj.us](mailto: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.

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# Disability Retirement Benefits

Police and Firemen's Retirement System

## ORDINARY DISABILITY

The processing of Ordinary Disability retirement benefits normally takes 3-5 months. To qualify for Ordinary Disability retirement benefits you must:

- be a member in service at the time the application is filed with the Division of Pensions and Benefits (an official leave of absence is considered in service);
- have 4 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 4 years);
- be considered totally and permanently disabled (you must prove that you are physically or mentally incapacitated from performing your normal or assigned job duties with no possibility for significant improvement); and
- provide any and all accident reports, witness reports, and corroborating evidence on file for any and all accidents for which you are filing.

If the medical documentation supplied by you is not sufficient to support your claim of disability, you may be examined by physicians selected by the retirement system at no cost to you. The examination will be scheduled by the Division of Pensions and Benefits.

If you qualify for an Ordinary Disability retirement benefit, the annual benefit is equal to 40 percent of your Final Compensation or 1.5 percent of your Final Compensation for each year of service credit, whichever is higher.

"Final Compensation" means the base salary in the 12 months immediately preceding retirement.

The retirement benefit is not reduced by any Social Security 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.

## INVOLUNTARY ORDINARY DISABILITY RETIREMENT

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

A PFRS member with at least four years of service, but less than 20 years, who meets the qualifications for Ordinary Disability shown above and who is required to retire upon application by the employer, will receive an Ordinary Disability retirement allowance of 40 percent of Final Compensation, or 1.5 percent of Final Compensation for each year of service, whichever is higher. A member with 20 or more years of service will receive an allowance equal to 50 percent of Final Compensation plus an additional 3 percent of Final Compensation for every year of service over 20 up to a maximum of 25 years. You cannot change the date of retirement under an Involuntary Disability Retirement.

## SPECIAL DISABILITY RETIREMENT

To qualify for Special Disability retirement benefits you must:

- be a member in service at the time the application is filed with the Division of Pensions and Benefits (an official leave of absence is considered in service);
- have 5 or more years of New Jersey service credit;
- receive a heart transplant; and
- provide any and all medical reports, or corroborating evidence on file that supports your disability.

The annual benefit calculation for a Special Disability Retirement is equal to 50 percent of Final Compensation.

## ACCIDENTAL DISABILITY

The processing of Accidental Disability retirement benefits normally takes 4-6 months. To qualify for Accidental Disability retirement benefits you must:

- be a member in service at the time the application is filed with the Division of Pensions and

Benefits (an official leave of absence is considered in service);

- be an active member of the PFRS on the date of the traumatic event (see definition below);
- be considered totally and permanently disabled (you must prove that you are physically or mentally incapacitated from performing your normal or assigned job duties with no possibility for significant improvement) as a direct result of a traumatic event that happened during and as a direct result of carrying out your regular or assigned job duties;
- file an application within five years of the date of the traumatic event;
- be examined by physicians selected by the retirement system at no cost to you. The examination will be scheduled by the Division of Pensions and Benefits; and
- provide any and all accident reports, witness reports, and corroborating evidence on file for any and all accidents for which you are filing.

A "**Traumatic Event**" has been defined by the courts as one in which the worker is involuntarily exposed to a violent level of force or impact which is not brought into motion by the worker.

To be eligible for Accidental Disability retirement benefits, the worker must demonstrate that:

- the injury was not induced by normal work effort;
- the worker met involuntarily with the object that was the source of the harm; and
- the source of the injury was a violent or uncontrollable power.

The following examples would not be considered traumatic events:

- Slip and fall cases, no force or power originates anywhere except from the person falling and the gravitational force on the person was not considered "great";
- A laborer who injured his wrist when a jackhammer twisted in his hand, was not injured as a direct result of a great rush of force or uncontrollable power;
- A member's heart attack, although the result of job stress and tension, was not considered a traumatic event.

If you qualify for an Accidental Disability Retirement benefit, your annual pension will be 2/3 of your annual compensation on which pension contributions were being made at the time of retirement or the date of the traumatic event, whichever provides the higher benefit.

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 totally and permanently 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 4 years of New Jersey service in the retirement system. You may also be offered a Service or Special Retirement (this depends on your age and service credit at the time the application was received).

### APPLYING FOR DISABILITY RETIREMENT BENEFITS

The *Application for Disability Retirement* can be obtained:

- from our Web site at:  
[www.state.nj.us/treasury/pensions](http://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 by telephone at (609) 292-7524; or
- by e-mail request to:  
[pensions.nj@treas.state.nj.us](mailto: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. At least 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

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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 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.

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

### **PAYMENT OF PENSION TO A SURVIVING FAMILY MEMBER**

Upon the death of a retired member, the spouse and/or child(ren) of the member may be entitled to a monthly pension. The benefits vary according to the status of the member at the time of the death. The terms used in the explanations of benefits that follow are explained here.

"Surviving spouse" means the person to whom you were married on the date of your death and who has not remarried. It also means a member's domestic partner provided the member has received a New Jersey *Certificate of Domestic Partnership* through application to a local registrar and is a State employee. Employees of local government entities are also included, provided the local employer has adopted a resolution to provide domestic partner pension benefits.

"Child" means your unmarried child:

- under the age of 18; or
- 18 years of age or older and enrolled in high school; or
- any age, who at the time of your death, is disabled because of mental or physical incapacity and is incapable of substantial gainful employment because of the impairment. This incapacity must last or be expected to last for a continuous period of not less than 12 months as determined by the Medical Review Board.

### **Retired Member Death Benefit**

Upon your death as a retired member, your surviving spouse is eligible to receive a pension benefit equal to 50 percent of your Final Compensation, plus 15 percent of your Final Compensation for one child or 25 percent of your Final Compensation for two or more children.

If there is no surviving spouse, the following benefit is payable to the minor children:

- 50 percent of Final Compensation to three or more eligible children;
- 35 percent of Final Compensation to two eligible children; or
- 20 percent of Final Compensation to one eligible child.

### **OTHER INFORMATION**

#### **Group Life Insurance**

Most members of the retirement system are covered by group life insurance.

If you retire on a disability retirement, the amount of your group life insurance will be equal to 3½ times your Final Compensation until age 55 when it will be reduced to ½ of Final Compensation.

If a retiree was enrolled as a member of the PFRS 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.

#### **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 Life Insurance*, for more detailed information.

**Employment After Retirement**

Because the Board of Trustees has determined that you are disabled, you cannot accept any further PFRS covered employment. Please refer to Fact Sheet 29, *Employment After Retirement*, for additional information.

**Health Benefits**

Fact Sheet #11, *Enrolling in the State Health Benefits Program When You Retire*, provides information about continuing your State Health Benefits Program coverage in retirement.

If you are not covered by the State Health Benefits Program, 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' Office of Client Services, or over the Internet. The Division of Pensions and Benefits Internet home page address is:

*[www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions)*

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# Your Retirement Checklist

All Funds

When planning for a successful retirement, it is important to give yourself enough time to review your benefits and options. The time frames in this checklist are a guide. Processing time varies 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

**Complete a Request for Retirement Estimate** form available from your employer, by contacting the Division of Pensions and Benefits, or over the Internet at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Consider attending a pre-retirement seminar** conducted by the Division of Pensions and Benefits. For information, check with your benefits administrator or training coordinator, or call the Divisions' Benefits Education Office for seminar dates and registration at (609) 777-2111. The mailing address is Division of Pensions and Benefits, Benefits Education Unit, PO Box 295, Trenton, NJ 08625-0295.

## 4-6 MONTHS BEFORE RETIREMENT

**Submit an Application for Retirement Allowance** (available from the Division of Pensions and Benefits or your employer) **to the Division of Pensions and Benefits**. Accuracy and thoroughness are important when completing your *Application for Retirement Allowance*.

- Attach a photocopy of your birth certificate, if one is not on file. 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, attach proof of your beneficiary's birth date. Your retirement application will not be processed until the Division receives copies of birth date evidence.

- PERS and TPAF only – If applying for a Veteran Retirement, you must qualify as a veteran for pension purposes. 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 about veteran status and your pension account, see Fact Sheet #17, *Veteran Status*.

- Write "Purchase Pending" on the top of your *Application for Retirement Allowance* if you have applied for a purchase of additional service credit in the past few months.

The amount of your **life insurance** coverage through the pension plan decreases at retirement or terminates if you have less than 10 years of service credit. You may **convert** the dollar difference between the group coverage you had before retirement and the group 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 1-800-262-1112. 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.
- 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 if you participate in those plans.
- You will receive a letter** from the Division of Pensions and Benefits acknowledging receipt of your retirement application. Also included are answers to some frequently asked retirement questions.

**APPROXIMATELY 3 MONTHS BEFORE RETIREMENT**

- You will receive a letter offering you enrollment in the New Jersey State Health Benefits Program (SHBP) if you are:
  - currently covered by the SHBP.
  - a member of the TPAF with 25 years or more of service credit in the pension fund or retiring on a disability retirement.
  - a PERS or Alternate Benefit Program 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 Medicare eligible member of the TPAF or the PERS who works for a Board of Education.
  - a police officer or firefighter retiring with 25 years or more of service credit in the pension fund or retiring on a disability retirement whose employer does not provide any payment or compensation toward the cost of health benefits for its retirees.
- If you will not be eligible for post-retirement medical coverage through the SHBP, discuss

with your employer any coverage they may provide you.

- If you are 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 in retirement. 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.

**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; (PERS and TPAF)
  - a quote of any outstanding loan balance with repayment options; and
  - a quote on any outstanding arrears (purchase) balance and/or shortages.

If you retire with an outstanding loan balance, you must decide how you wish to repay your loan balance. 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 your effective retirement date

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(whichever is later) to change your option selection if you wish. If you change your option 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 board approval date (whichever is later). This request must be in writing to the Division of Pensions and Benefits. Canceling your retirement does not guarantee reemployment with your employer.
- Discuss the possibility of continuing prescription drug, dental, or vision coverage under the provisions of **COBRA with your employer**.

**SHORTLY AFTER YOUR RETIREMENT DATE**

- You will receive **forms for withholding** federal and New Jersey State income tax.
- You will receive a **form** to have your retirement check **deposited directly** to your bank account.
- Your **first retirement check** will be dated no earlier than the first of the month following your retirement date or 30 days after approval by the retirement system's board of trustees, whichever is later.

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# GROUP LIFE INSURANCE

## AN OVERVIEW

### FOR PFRS MEMBERS

#### GROUP LIFE INSURANCE

Your employer pays the cost of your group life insurance. Group life insurance is covered by policies issued by the insurance carrier (Prudential Group Life Insurance). You receive an individual certificate from the Division of Pensions and Benefits that you should keep with your important papers. The group policy number is G-14800.

##### Coverage for Active Members

If your death occurs in active service before retirement, your named beneficiary (or estate where there is no named beneficiary) will receive a death benefit equal to 3½ times your Final Compensation, the total base salary upon which your pension contributions were based during the year preceding your death. If you die during the first year of creditable service, the benefits will be 3½ times your creditable base salary upon which pension contributions were paid.

##### Coverage for Retired Members

If you die after retirement, your named beneficiary (or estate where there is no named beneficiary) will receive an amount equal to ½ of your Final Compensation, the total base salary upon which your pension contributions were based during the year preceding your retirement. However, if you retire on a Disability Retirement, the amount will be equal to 3½ times your Final Compensation until age 55 when it will be reduced to ½ of Final Compensation.

If a retiree was enrolled as a member of the PFRS 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 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.
- 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.
- up to 93 days while on official leave for personal reasons (also family leave).

A member who has been suspended without pay is covered for group life insurance for up to 93 days.

#### CHOOSING A BENEFICIARY

Your enrollment application contains a section in which you name beneficiaries for both your group life insurance benefits and return of your pension contributions. You may name any person, organization, your estate or trust as beneficiary. This designation may be changed by you at any time during your membership by filing the *Designation of Beneficiary* form. At retirement, you are asked to nominate beneficiaries on your *Application for Retirement Allowance*.

*Designation of Beneficiary* forms can be obtained from your employer or over the Internet at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

All *Designation of Beneficiary* forms must be signed and sent in to the Division of Pensions and Benefits. Beneficiary designations cannot be accepted nor confirmed over the telephone or by e-mail. This is for your protection.

### **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, PL 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 Non-contributory Group Life Insurance, must waive the total amount of noncontributory coverage in excess of \$50,000. Waivers of partial amounts are not permitted.

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 the life insurance in excess of \$50,000. The remaining premium cost (if any) is the taxable amount and is added to your W-2 for that year.

<b>IRS Premium Rates* as of 7/1/99 (Annual cost per \$1,000 of coverage)</b>	
<b>Age</b>	<b>Premium</b>
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 PFRS member is age 52 and has noncontributory life insurance coverage of 3½ times salary.

The member's annual base salary is \$60,000. The member's life insurance coverage totals \$210,000 (3.5 percent x \$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 x \$2.76) and this amount would be added to your taxable income.

### **Waiving Noncontributory Group Life Insurance Over \$50,000**

In the example above the member's noncontributory life insurance coverage equals \$210,000 (3.5 percent x \$60,000). In this example the member could waive \$160,000 of noncontributory 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 \$0.00.

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.

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 reasons 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 Web site of the Division of Pensions and Benefits at:

[www.state.nj.us/treasury/pensions/conversion-calc.htm](http://www.state.nj.us/treasury/pensions/conversion-calc.htm)

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, the premiums you pay are 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 or through any of its local offices or if you live in

New Jersey, by calling 1-800-262-1112. You will need to provide your group insurance policy number, as follows:

- G-14800 - This is the policy number for the basic (noncontributory) group life insurance for the following pension systems: ABP<sup>1</sup>, PERS<sup>2</sup>, TPAF<sup>3</sup>, JRS<sup>4</sup>, PFRS<sup>5</sup>, SPRS<sup>6</sup>
- 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.*

The following sections provide more 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.

<sup>1</sup>ABP — Alternate Benefit Program

<sup>2</sup>PERS — Public Employees' Retirement System

<sup>3</sup>TPAF — Teachers' Pension and Annuity Fund

<sup>4</sup>JRS — Judicial Retirement System

<sup>5</sup>PFRS — Police and Firemen's Retirement System

<sup>6</sup>SPRS — State Police Retirement System

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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 would be best to begin exploring your options at least four 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 (Does not apply to ABP)**

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 pension system and begin to receive retirement benefits (age 60 for PERS, TPAF, and JRS; age 55 for PFRS and 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 that 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 (Does not apply to ABP)**

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

You will have the option to purchase a conversion policy up until the day you reach normal retirement age for your pension system. The maximum amount of coverage that you may purchase will be the difference between the amount of noncontributory coverage you had while employed and the amount of coverage that 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 at termination of 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 the purchase of a conversion policy, you must discontinue your individual conversion policy. If you do not, you will be 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 pension retirement payment; 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.

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

Also listed below 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 2007, alternate EFT effective dates occur on March 30, June 29, August 31, November 30, and December 31.

## RETIREMENT CHECK MAILING DATES FOR THE YEAR 2007

CHECK DATE	MAIL DATE	EFT DATE
02-01-07	01-29-07	02-01-07
03-01-07	02-26-07	03-01-07
04-01-07	03-28-07	03-30-07
05-01-07	04-26-07	05-01-07
06-01-07	05-29-07	06-01-07
07-01-07	06-27-07	06-29-07
08-01-07	07-27-07	08-01-07
09-01-07	08-29-07	08-31-07
10-01-07	09-27-07	10-01-07
11-01-07	10-29-07	11-01-07
12-01-07	11-28-07	11-30-07
01-01-08	12-27-07	12-31-07

## 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. Sixty-eight percent of our retirees already use EFT.

It's easy to start EFT for your pension check. First, choose a bank that provides Electronic Fund Transfer for its customers. Most banks now perform this service. Next, obtain and fill out an *Authorization for Direct Deposit* form. The authorization form is available by contacting the Division of Pensions and Benefits, or over the Internet at: [www.state.nj.us/treasury/pensions](http://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.

#### ALLOWANCE AND DEDUCTION INFORMATION OVER THE PHONE

If you misplace the last *Statement of Allowances and Deductions* or check stub you received and need to verify your allowances and deductions, you can call our Automated Information System to

obtain this information. Just call (609) 777-1777 — 24 hours a day, 7 days a week — from a touch-tone phone. After the initial prompt, enter your Social Security number and verify that it is correct. Next, choose selection number 3, "retirement information." Then choose selection 3 after the next prompt, "statement of your allowances and deductions."

#### UPDATING YOUR HOME ADDRESS

Informing the Division of a change of address helps to ensure that you will receive your monthly pension check at your new address without delay.

#### 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 is a further change in any of the five items listed at left.

**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 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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**AUTOMATED INFORMATION SYSTEM**

To Hear Your Current Check Information

Dial - (609) 777-1777

Enter Your Social Security Number



To Request Retirement Information



To Hear Current Check Information

There are several ways to update your home address information with the Division:

- 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;
- Use our Internet Change of Address form. Go to the Division's Web site at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions) and click on "Online Change of Address for Retirees." Enter the information requested and hit "Submit."

If you are enrolled in retired State Health Benefits Program (SHBP) coverage, notifying the Division of your new address, will also update your address information with the SHBP. However, SHBP 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**
**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.

Federal and New Jersey *W-4P* forms are also available from the Division's Internet site at: [www.state.nj.us/treasury/pensions](http://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*.

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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

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 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.

The Division of Pensions and Benefits uses the Consumer Price Index (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, 2007**

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, 2006 was 196.0.

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

- To calculate the change in the CPI, subtract 168.9 from 196.0.

$$196.0 - 168.9 = 27.1$$

- To calculate the percentage change in the CPI between the retirement year 2000 and the 12 months ending August 31, 2006, divide 27.1 by 168.9. The result is 16.045%.

$$27.1 \div 168.9 = 16.045\%$$

- The cost-of-living adjustment rate for February 1, 2007 equals 60% of 16.045%, or 9.627%.

$$60\% \times 16.045\% = 9.627\%$$

- Therefore, the cost-of-living adjustment for this member is 9.627% of \$1,278.35, or \$123.07.

$$\$1,278.35 \times 9.627\% = \$123.07$$

- The total monthly benefit equals \$1401.42

$$\$1,278.35 + \$123.07 = \$1,401.42$$

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

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. Then by pressing 3 after the first prompt — indicating that you are requesting retirement information — and 3 again at the second prompt, you can hear the check information in the order as it would appear on your check stub.

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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 ben-

eficiary). **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**

If you wish to change your withholding you must submit a new form (W-4P or NJ W-4P) which you can obtain from your employer, by contacting the Division of Pensions and Benefits, or over the Internet at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions). If you already have **more than the minimum** federal tax withheld, you should contact the Division of Pensions and Benefits at (609) 292-7524 for assistance in completing 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 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 service are not eligible for purchase.

### **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 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.

### **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.

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

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*\*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.*

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.

### **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.

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- 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

You may obtain a quotation of the service credit you are eligible to purchase and the cost on that purchase by submitting an *Application to Purchase Service Credit* to the Division of Pensions and Benefits. This form is available from your employer or by contacting the Division of Pensions and Benefits, Office of Client Services. You can also download the application from the Division of Pensions and Benefits Web site: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions)

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](http://www.state.nj.us/treasury/pensions)

The cost of a purchase is based 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.

Upon determining that the time requested is eligible for purchase, the Purchase Section will process your request. After the processing of your purchase request by the Division of Pensions and Benefits, you will receive a quotation of the service credit you qualify to purchase and both the lump sum cost to make the purchase and the cost if paid through payroll deductions. You will have 90 days from the date of the letter to decide if you want to authorize the purchase.

### 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 (2.5 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

### 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.

### 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 retirement sys-

tem service, U.S. Government service, military service before enrollment, layoff for members of PFRS, or employment in certain other agencies (PFRS only), you are responsible for 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 service.

### 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 employment as an adjunct faculty member 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 employment 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.

### Disability Retirement

The purchase of U.S. Government, out-of-state, or military service before enrollment cannot be used to qualify for a disability retirement.

### Taxation of Purchase Payments

The contributions you make to purchase the types of service credit described in this fact sheet 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

Police and Firemen's Retirement System

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 is 4.25 percent of base salary 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.

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

You may obtain a quotation of the service credit you are eligible to purchase and the cost on that purchase by submitting an *Application to Purchase Service Credit* to the Division of Pensions and Benefits. This form is available from your employer or by contacting the Division of Pensions and Benefits. You can also download the application from the Division of Pensions and Benefits Web site: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions)

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](http://www.state.nj.us/treasury/pensions)

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.

## 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 .077. 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 .079.

**Example:** You wish to buy 3 years and 6 months of former membership service. 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 (.079) times the annual salary (\$40,000). This equals \$3,160. Multiply \$3,160 times the number of years being purchased (3.5). The estimated total lump-sum cost of this purchase is \$11,060.

### **Shared Cost Purchases**

The above procedure can be used to calculate the cost of the following *shared cost* purchases: former membership in a New Jersey State-administered

retirement system, leaves of absence, and out-of-state service.

### **Full Cost Purchases**

To calculate the purchase cost of military service, U.S. Government civilian service, layoff (police only)\*, employment with certain other agencies (PFRS only), and local retirement system service you use the same procedure **except** you must double the resulting cost. In the example used, the full cost would be \$22,120 ( $0.079 \times \$40,000 \times 3.5 \times 2$ ).

\*The cost of a Layoff purchase is calculated using the salary for the 12 months *prior to the layoff*, not the *current or highest salary*.

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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, leaves of absence, or out-of-state service, use the worksheet below:

$$\frac{\text{Age factor} \times \text{Highest Annual Salary}}{\text{X}} = \text{Cost of 1 Year}$$

$$\text{Cost of 1 Year} \times \text{Number of Years Purchased} = \text{Total Cost}$$

**FULL COST PURCHASES**

To estimate the cost of purchasing military service, U.S. Government civilian service, employment with certain other agencies, or layoff<sup>1</sup>, use the worksheet below:

$$\frac{\text{Age factor} \times \text{Highest Annual Salary}}{\text{X}} = \text{Cost of 1 Year of Shared Cost Purchase}$$

$$\text{Cost of 1 Year} \times \text{Number of Years Purchased} \times 2 = \text{Total Cost}$$

Age at Purchase	Purchase Factor <sup>2</sup>	Age at Purchase	Purchase Factor <sup>2</sup>	Age at Purchase	Purchase Factor <sup>2</sup>
33 and under	0.075	46	0.106	59	0.127
34	0.076	47	0.109	60	0.128
35	0.077	48	0.113	61	0.130
36	0.079	49	0.116	62	0.131
37	0.081	50	0.120	63	0.132
38	0.083	51	0.121	64	0.134
39	0.085	52	0.121	65 and over	0.135
40	0.088	53	0.122		
41	0.090	54	0.123		
42	0.093	55	0.123		
43	0.096	56	0.124		
44	0.099	57	0.125		
45	0.102	58	0.126		

1 The cost of a Layoff purchase is calculated using the salary for the 12 months *prior to the layoff*, not the highest annual salary.

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

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

# Enrolling in the State Health Benefits Program When You Retire

State Health Benefits Program

## ELIGIBILITY

The following full-time employees, who are eligible for employer-paid health insurance coverage **until their retirement date**, will be offered State Health Benefits Program (SHBP) 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 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 SHBP. 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

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

qualified retiree may enroll at the time of retirement or when becoming 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 SHBP 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 the SHBP about two months before your retirement date. If applicable, the offering information will include a rate chart showing the cost for each type of coverage. You must complete and return the *SHBP Retired Status 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 when you lose coverage. If you do not submit an application within 60 days of your 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 retirement check each month, or you will be billed on a monthly basis if the amount of your retirement check is not enough to cover your premium.

**Note: Dual HMO enrollment is prohibited.** State statute specifically prohibits two members who are married to each other or who are civil union or domestic partners (see page 5) and who are **both** enrolled in the SHBP from enrolling under any **two** of the SHBP's HMO plans. One member may belong to a SHBP HMO as a retiree or as a dependent but not as both.

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).

If you had vision coverage through your employer, federal COBRA law requires your employer to offer you continued coverage under those plans for up to 18 months after retirement at your expense. To apply, you must contact your employer for a *COBRA Application* upon terminating employment. (Note that retirees do not need to enroll in COBRA for drug coverage, as prescription drug coverage is included with all retiree SHBP health plans.)

### 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 enrollment, to the application for SHBP 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.

#### Medicare Part D

The SHBP prescription drug benefits are equal to or better than the standard Medicare Part D plan, **most Medicare eligible retirees enrolled in the SHBP and/or their Medicare eligible dependents need not enroll in Medicare Part D.** Retirees who enroll in Medicare Part D will lose their SHBP prescription drug benefits. If you or any of your eligible dependents enroll in a Medicare Part D plan, your SHBP medical plan benefits will continue, but your SHBP-provided retiree prescription drug benefits will be terminated for you and all of your dependents. Some SHBP members who qualify for limited-income subsidy programs may find it beneficial to enroll in Medicare Part D.

### HOW MEDICARE AFFECTS THE COST OF SHBP 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 SHBP health plans charge lower premiums for Medicare eligible members.

### COVERAGE COSTS

**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 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 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. 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 and 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 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 one 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 would 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

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State will reimburse you for the standard Medicare Part B premiums paid by you and/or your spouse, civil union partner, or eligible 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 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 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.

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 coverage from your last employer; and
- Notify the State Health Benefits Program that you have an aggregate of 25 or more years of nonconcurrent service in more than one public retirement system in New Jersey (see below).

Upon notification, 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 employer-paid 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 employer-paid 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, you will receive an SHBP offering letter for retired group coverage. When you respond to that 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 SHBP, the Health Benefits Bureau will not know to send you an offering letter. You must contact the SHBP 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. Different children may only be covered by one parent if both are eligible for SHBP coverage.

#### Definition

**Spouse** — This is a person of the opposite sex to whom you are legally married. A photocopy of the *Marriage Certificate* 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 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. 02003, the Domestic Partnership Act, of any State employee, State retiree, or an eligible employee or retiree of a SHBP 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 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.

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 SHBP 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 30

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 30; 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, *SHBP Coverage of Children to Age 30*.

### ADDING OR REMOVING A DEPENDENT FROM COVERAGE

***It is your responsibility to notify the SHBP 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 sta-

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tus 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 spouse, civil union partner,, domestic partner, or dependent is not received within 60 days of the status change, there will be a ***minimum 2 month waiting period*** from the date the enrollment application is received until the dependent is covered.

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 UNDER THE SHBP**

You must complete an *SHBP Retired Status Application* for health benefits as a new retiree, even if you are selecting the same plan (Traditional, HMO, or NJ PLUS) you had as an active employee. Thereafter, you may 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.

If you are covered by an HMO or NJ PLUS and move out of the area serviced by the HMO or NJ PLUS, you may select a different plan within 30 days of the move regardless of the date of your last change.

#### **WAIVING SHBP COVERAGE IF COVERED BY ANOTHER HEALTH PLAN**

You may waive coverage with the retired group of the SHBP 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

SHBP coverage **within 60 days** of your loss of 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, *SHBP Retired Coverage Under Chapter 330*, for more information.

#### **WHEN HEALTH BENEFITS COVERAGE ENDS**

Coverage under the SHBP Retired Group will terminate if:

- you formally request the termination in writing, or you complete a *SHBP Retired 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 SHBP to change to another plan;
- your employer withdraws from the SHBP (**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).

#### **SPOUSE, CIVIL UNION PARTNER, OR DOMESTIC PARTNER COVERAGE WHEN THE MEMBER DIES**

Your spouse's, civil union partner's, or eligible same-sex domestic 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

and application offering continuation of coverage in the plan of their choice at their own cost. If your spouse or partner elects to continue SHBP coverage, they will be reenrolled for coverage under his or her own name and Social Security number, 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 monthly. 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. Neither the State nor the TPAF pays for the coverage of spouses, civil union partners, or domestic partners of deceased retirees.

#### **ADDITIONAL INFORMATION**

Information about your current SHBP plan, level of coverage, and dependent information can be obtained 24 hours a day, 7 days a week, by calling

the Division of Pensions and Benefits' Automated Information System at (609) 777-1777.

Questions about enrolling in the SHBP, changing health 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; or write to us via e-mail at: [pensions.nj@treas.state.nj.us](mailto: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 health insurance plan you selected. The phone number for the Traditional Plan and NJ PLUS is 1-800-414-SHBP (7427). The phone number for an HMO should appear on your ID card.

#### **Fact Sheets**

All of the fact sheets mentioned in this publication can be found on our Web site at:

[www.state.nj.us/treasury/pensions/pubslst.htm](http://www.state.nj.us/treasury/pensions/pubslst.htm)

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## RETIREE DENTAL EXPENSE PLAN

State Health Benefits Program (SHBP)

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The State Health Benefits Program (SHBP) offers a Retiree Dental Expense Plan to retirees eligible to enroll in the SHBP. The Plan is self-insured by the State and is administered for the SHBP 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 at the time of retirement.
- Any retiree, including survivors, eligible for enrollment in the Retired Group of the SHBP but who elected to waive their medical coverage because of other SHBP 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 of the SHBP. Eligible dependents include the retiree's spouse 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 will have one opportunity to enroll in the Retiree Dental Expense Plan when the individual retires or becomes eligible for enrollment in the SHBP's Retired Group. SHBP 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 SHBP Retired Group coverage, the Division will send dental enrollment materials at the same time it sends SHBP 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

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

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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 SHBP enrollment application.

**WHEN COVERAGE BEGINS**

Generally, the effective date for your Retiree Dental Expense Plan coverage will coincide with your SHBP 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 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 rates charts that are available on the SHBP Web site:

[www.state.nj.us/treasury/pensions/shbp.htm](http://www.state.nj.us/treasury/pensions/shbp.htm)

**WHEN COVERAGE ENDS**

Your Retiree Dental Expense Plan coverage will end when:

- Your medical plan coverage is terminated (unless SHBP medical coverage was waived for other coverage through a public employer, see Eligibility section above);
- you voluntarily request health or dental plan termination in writing or you complete a *SHBP Retired Status Application* and select termina-

tion 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 (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.

**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. You must file a *Continuance for Dependent with Disabilities* form before January 31st of the year fol-

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lowing 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 evaluations 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 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.

**RETIREE DENTAL EXPENSE PLAN REIMBURSEMENT TIERS**

	<b>TIER 1</b>	<b>TIER 2</b>	<b>TIER 3</b>
<b>ANNUAL DEDUCTIBLE</b>	\$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
<b>COINSURANCE</b>	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
<b>MAXIMUM ANNUAL BENEFIT</b>	\$1,500 per person	\$1,500 per person	\$1,500 per person

**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](http://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/shbp.htm](http://www.state.nj.us/treasury/pensions/shbp.htm)

**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](http://www.aetna.com).

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# State Health Benefits Program Retired Coverage Under Chapter 330

Police and Firemen's Retirement System • Law Enforcement Officers

Some employers will pay for health benefits coverage for their retired employees. For those who do not, Chapter 330, P.L. 1997, provides eligibility for enrollment in the State Health Benefits Program (SHBP) to certain retired local police officers and firefighters with part of the cost paid by the State. It applies to those who have retired with 25 or more years of pension service credit, or on a disability retirement from an employer who does not provide any payment towards the retiree's health coverage or reimbursement of Medicare Part B premiums. You need not be covered by the SHBP while employed to qualify for enrollment. You may enroll yourself, your spouse, civil union partner or an eligible same-sex domestic partner,\* and your unmarried dependent children under the age of 23 who live with you.

## ELIGIBILITY

Eligible participants must be retired from the Police and Firemen's Retirement System, the Consolidated Police and Firemen's Pension Fund, or from the Public Employees' Retirement System as a law enforcement officer. A qualified Chapter 330 participant is one who:

- was eligible for health benefits coverage with the employer immediately preceding retirement;
- retires with 25 or more years of pension service credit or on a disability retirement;
- is not receiving any post-retirement medical benefit from his or her employer, according to the contract in effect on July 1, 1998; and
- has no other employer group coverage as an "employee" as a result of other employment while retired.

The Division of Pensions and Benefits has surveyed local employers on their health benefit policies for retirees and, based on that information, determined eligibility for retirees regarding enrollment after they apply for retire-

ment. If the Division is able to determine that you meet the Chapter 330 eligibility requirements, the Division will send you an offering package which includes a *SHBP Retired Status Application* for you to complete and return. If the Division is unable to definitively determine your eligibility, you will receive a notification with a certification for you and your employer to complete, sign, and return (certifying whether or not you are eligible for employer-paid post-retirement health benefits coverage or reimbursement from the employer). Once the Division receives the completed certification indicating that you are not eligible for health benefits or reimbursement of such, you will receive an offering package.

If you do not enroll in the SHBP at the time of retirement, you will have a second chance to enroll when you qualify for enrollment in Medicare. This occurs when you reach age 65 or earlier if you are receiving Social Security disability payments. If you already qualify for Medicare at the time of retirement, your only chance to enroll in the SHBP will be at retirement.

This law was not intended to be an incentive for an employer to do less for its retirees. The Division will refer to the contracts and ordinances in effect on July 1, 1998, to determine retiree eligibility. Therefore, if your employer discontinues your paid health benefits coverage sometime in the future, you will not be eligible for Chapter 330 benefits.

## WHAT PLANS ARE AVAILABLE AND WHO PAYS

Eligible retirees may enroll in any medical plan offered through the SHBP. These include **NJ PLUS**, the **Traditional Plan**, or one of several **HMOs**. The State will pay 80 percent of the cost of the **least expensive plan** offered by the SHBP for the level of coverage selected (Single, Member and Spouse/Partner, Family, or Parent and Child/Children). The retiree pays the remaining cost of the chosen plan.

The cost to the retiree varies by coverage level (Single, Member and Spouse/Partner, etc.) and is subject to change every year as plan rates are renewed.

**Your employer may not reimburse you for your Chapter 330 costs. To do so would disqualify you for coverage under this law.**

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

**MEDICARE COVERAGE AT AGE 65**

Retired members of the SHBP or their dependents (including members on a disability retirement) who are eligible for Medicare must enroll in both Part A (hospital insurance) and Part B (medical insurance) of Medicare. Proof of enrollment is required. Acceptable proof would be a photocopy of the Medicare identification card reflecting both Part A and Part B effective dates or a letter of confirmation from Social Security stating the effective dates of Medicare Part A and Part B enrollment. If you and/or your spouse, civil union partner, or eligible domestic partner are age 65 at retirement and have not enrolled in both Part A and Part B of Medicare, you should contact Social Security to apply for full Medicare coverage before your retirement date.

The cost of Chapter 330 coverage generally decreases when you or your spouse or partner enroll in the full Medicare program. Medicare will be the primary payer of your claims after you enroll in the program.

**DEFERRING CHAPTER 330 BENEFITS IF COVERED BY ANOTHER HEALTH PLAN**

If you are otherwise eligible to enroll in Chapter 330 coverage but you are currently covered under another health insurance policy, you may be eligible to enroll under Chapter 330 at a later date. The following explains under what circumstances you will become eligible for enrollment.

- If you have health benefits for a specific period of time through the employer from which you retired, you may enroll in the SHBP within 60 days of the date when that employer-provided coverage ends.
- If you have health benefits as a dependent of a spouse, civil union partner or eligible same-sex domestic partner, whose health insurance is through an employer-provided group plan, you may enroll in the SHBP within 60 days of the loss of that dependent coverage. The effective date of coverage would be the date the employer-provided coverage ends.
- If you have health benefits from other employment while retired and those benefits end, you may enroll in the SHBP within 60 days of the loss of the other coverage.

**It is the retiree's responsibility to send written notification to the SHBP within 60 days of the qualifying event that may entitle the retiree to coverage under Chapter 330.**

**SURVIVING DEPENDENTS**

In the event the retiree should pre-decease his or her spouse, civil union partner, or eligible same-sex domestic partner, the surviving spouse or partner may continue coverage provided that the surviving spouse/partner was covered by the SHBP as a dependent at the time of the retiree's death. The surviving spouse/partner is responsible for paying for the full cost of the coverage.

If there is no surviving spouse, civil union partner, or eligible domestic partner, a child, who was covered as a dependent under the SHBP at the time of death would be able to continue their health benefits under the provisions of federal COBRA law at their own expense for up to three years.

**FOR MORE INFORMATION ABOUT CHAPTER 330**

If you would like more information about Chapter 330, or if you believe that you may be eligible for Chapter 330 coverage but have not been contacted by the SHBP, please write to the Division of Pensions and Benefits and ask about your Chapter 330 eligibility. Provide your name, your retirement or Social Security number, and the following three pieces of information:

1. The name of your former employer;
2. Whether you are receiving any payment from that employer for your health benefits or Medicare reimbursement; and
3. Whether you have other health benefits coverage from any current employment.

Address your letter to the State Health Benefits Program, New Jersey Division of Pensions and Benefits, PO Box 299, Trenton, NJ 08625-0299. Or you can e-mail the Division at:

*pensions.nj@treas.state.nj.us*

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# Employment After Retirement

Police and Firemen's Retirement System

Since police officers and firefighters often retire in their fifties, the question of how employment after retirement will affect pension benefits is important. This fact sheet provides information a Police and Firemen's Retirement System (PFRS) retiree should consider before returning to the work force in either a full or part time basis.

Working for private industry, the federal government or a government agency in another state will not normally affect your PFRS retirement benefits. Returning to public employment in New Jersey after retirement, however, could affect your benefits as shown in the following information. Your prospective employer should be able to tell you whether the employment you are considering is covered under the PFRS.

## **PFRS RETIREE RETURNING TO WORK IN A PFRS COVERED POSITION**

### **PFRS Membership Continued — No 30-Day Break In Service**

When you return to PFRS covered employment is critical in determining your PFRS status. You should expect to continue enrollment in the PFRS if you start working in a PFRS covered position before your pension has become due and payable. A pension benefit is due and payable 30 days after the date of Board approval, or the retirement date, whichever is later. You must have at least a 30-day break in service after your retirement date to be considered retired from the PFRS. If you return to PFRS covered employment within 30 days of your retirement date, your retirement is not valid, and you are considered an active employee.

### **PFRS Membership Continued — Appointive Administrative or Supervisory Position Service**

N.J.S.A. 43:16A-3.1 addresses the special situation of a PFRS retiree who is appointed to a position with a law enforcement unit or firefighting unit with administrative or supervisory duties over police officers and/or firefighters. If a PFRS retiree is appointed to this type of position less than six

months after retirement, that retiree must suspend his/her retirement allowance and must reenroll in the PFRS.

### **PFRS Enrollment Required**

If you return to employment covered by the PFRS, you must suspend your retirement and reenroll in the PFRS as a condition of your employment. All eligibility requirements must be met except the age requirement. Your retirement allowance will be suspended for the duration of your employment, and you become an active contributing member again. If you die while in the second membership, no benefits from the previous membership or retirement are payable. This means that death benefits (insurance) from the suspended retirement would not be paid to your beneficiaries.

If you return to employment under the PFRS and are eligible for membership but you fail to enroll, you would be required to reimburse the retirement system in the amount of all retirement benefits you received since the date you should have enrolled. In addition, you would 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.

The following steps should occur when you are reemployed in a PFRS position and reenrolled:

1. Your employer must submit a PFRS enrollment application on your behalf to the Division of Pensions and Benefits.
2. Your application will be referred to the Board of Trustees of the retirement system to suspend your retirement allowance as of the date you are required to enroll in the PFRS. The date of enrollment is not negotiable. The PFRS Board Secretary will advise you of the action taken by the Board.
3. Once the Board of Trustees suspends your retirement allowance, your enrollment

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application will be processed and a certification to deduct pension contributions will be sent to your employer.

4. You will be billed for any retirement payments you received after the effective date of your new PFRS enrollment. Because of the sequence of events, most retirees are enrolled in the PFRS 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. When you decide to retire again, you must file an application for retirement on or before the effective date of your second retirement.

**Calculation of Retirement Allowance Based on New Period of Service**

When you retire again, your former retirement allowance will be restored along with any appropriate cost-of-living adjustment due based upon your original date of retirement. Your former retirement benefit is in no way affected by your subsequent membership.

In addition, you will receive a retirement allowance based upon your new period of service using the Service Retirement formula that is equal to 2 percent of Final Compensation for each year of creditable service. These two benefits are paid in one retirement check. Under no circumstances can the combined benefit exceed the benefit you would have received had you stayed continually employed.

For example, if you retired after 25 years with a Special Retirement equal to 65 percent of final compensation and then returned to work in a PFRS covered position for another 10 years which is equal to 20 percent of Final Compensation under a Service Retirement, your combined benefit could not exceed 70 percent of Final Compensation, the maximum benefit you could have expected to receive had you continued in your first position. Final Compensation means the base salary in the 12 months immediately preceding retirement.

**Survivor's Benefit for a PFRS Member Returning to Covered Employment**

N.J.S.A. 43:16A-9 provides that in the event of death occurring in the first year of creditable service, the

survivor's benefit is computed at the annual rate of compensation. If your salary upon return to covered employment is less than the salary used to calculate your original retirement allowance and you die as an active employee, your eligible survivor's benefit would be smaller than it would have been had you remained retired. Conversely, should your salary be higher, your survivor's benefit would increase.

**Life Insurance Benefit for a PFRS Member Returning to Covered Employment**

If your death occurs in active service, your named beneficiary (or estate where there is no named beneficiary) will receive a death benefit equal to 3½ times your Final Compensation, the total salary upon which your pension contributions were based during the year preceding your death. If you die during the first year of creditable service, the benefits will be 3½ times the creditable salary you actually received upon which pension contributions were paid, and not on your annual salary.

**RETURNING TO WORK IN A POSITION COVERED BY A DIFFERENT NEW JERSEY STATE-ADMINISTERED RETIREMENT SYSTEM**

In this case, your retirement allowance continues and you can receive salary, but you cannot become a member of that retirement system.

**DISABILITY RETIREES RESTORED TO ACTIVE SERVICE IN THE PFRS**

If you are a disability retiree, before you can return to active service in a PFRS 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 PFRS Board of Trustees.
4. Be approved for return to active service by the PFRS Board of Trustees.

When you return to active service, you must enroll again in the retirement system. Deductions for pension are resumed and you are treated as an

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active employee in all respects. Upon subsequent retirement, you will receive a benefit based on total service.

### OTHER CONSIDERATIONS

#### State Health Benefits

##### Program Retired Group Coverage

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

**Chapter 330 Members** — Chapter 330, P.L. 1997, provides SHBP coverage for certain retired police officers and firefighters whose employers do not pay for health benefits for their retirees. Under this law, the State of New Jersey pays a portion of the retiree's SHBP premiums with the retiree paying the remainder.

If you participate in the SHBP due to the provisions of Chapter 330, and obtain health benefits coverage **from any other employment** (including employment in the private sector), you are not eligible for Chapter 330 coverage while that other coverage is in effect. This is true even if your retirement benefit is not affected by your employment. You should notify the Division of Pensions and Benefits, in writing that you have active coverage as an employee. When coverage from other employment ends, you are eligible to reenroll in Chapter 330 coverage as long as you notify the Division of the loss of other coverage within 60 days. If you do not

notify the Division within this time frame, you cannot reenroll for coverage until you become eligible for Medicare coverage. Should you die as an active employee, your spouse may only be eligible to pay for COBRA coverage from the active employer for 36 months.

If you are covered under the SHBP for reasons other than Chapter 330, returning to a position not covered by the PFRS will not affect your eligibility for coverage under the SHBP. Maintaining SHBP retired group coverage also does not affect your eligibility for active group health coverage associated with your new employment.

#### Social Security Benefits

There is an earnings test for people under age 65 receiving Social Security benefits. Check with the Social Security Administration at 1-800-772-1213 for information on earnings limits before accepting employment.

### SPECIAL NOTICE FOR RETIREES IF REENROLLED TO A PFRS COVERED POSITION

**If you are reenrolled in the PFRS after retirement, you are treated as an active member in all respects. Your retirement allowance is suspended as a result of a return to PFRS 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. Once you retire again, the death benefits associated with retirement become effective.**

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## PFRS Retirement Benefits Effective 1/18/2000

Type of Retirement	Eligibility Requirements	Benefit Calculation
<b>SERVICE</b>	Age 55 or older with no minimum years of service OR; 20-24 years of service at any age (if enrolled in PFRS on 1/18/2000)	Less than 20 years of service - 2% of FC for each year of service. 20-24 years of service - 50% of FC 40 years of service - 70% of FC plus 1% of FC for each year over 40. At age 65 mandatory retirement with 20 or more years of service - 50% of FC plus 3% of FC for each year of service over 20 up to 25.
<b>SPECIAL</b>	25 or more years of service.	65% of FC plus 1% of FC for each year of service over 25 up to 30 years (maximum 70%)
<b>DEFERRED</b>	At least 10 years and less than 20 years of service and under age 55. Benefits start 1 <sup>st</sup> of month following 55 <sup>th</sup> birthday.	2% of FC for each year of service.
<b>ORDINARY DISABILITY</b>	Member in service at the time of the filing of the application with 4 or more years of NJ* service and found to be totally and permanently disabled.	40% of FC.
<b>ORDINARY DISABILITY (INVOLUNTARY)</b>	Member in service at the time of the filing of the application and found to be totally and permanently disabled plus the employer must file the application on behalf of a member who has over 20 years up to 25 years of service.	50% of FC + 3% of FC for years of service over 20 up to 25 (maximum 65%).
<b>ACCIDENTAL DISABILITY</b>	Member in service at the time of the filing of the application who is found to be totally and permanently disabled as a result of a traumatic event occurring during and as a result of his regular or assigned duties. Application must be filed within 5 years of the traumatic event.	2/3 of salary at the time of the traumatic event or at the time of retirement, whichever is higher.

**FC = FINAL COMPENSATION** means the base salary in the 12 months immediately preceding retirement.

\*For Ordinary Disability, service must be New Jersey (out-of-state, U.S. government, and military purchases cannot be used at attain the 4 years).



## CAN I AFFORD TO RETIRE?

### 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 <u>12 months</u>
<b>Net annual pension</b>	\$ _____

Net paycheck (after deductions)	\$ _____
Number of pays per year	X _____
<b>Net annual salary</b>	\$ _____

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

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!

## Possible Deductions from Pension Check

### Income Tax

- Federal – due as soon as you start collecting pension (see federal income tax withholding tables)
- State – If living in NJ, none 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

\$15,000 if single

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

### Loan

Current biweekly loan deduction X 2.175 = approximate monthly loan deduction from your pension check

### Health Benefits

- **State Employees:** If you reached 25 years of service in the retirement system by 7/1/97, the State will pay the monthly premium for your coverage regardless of the State Health Benefits Program health plan you choose, if you were eligible for State Health Benefits Program coverage until your retirement date. For State employees who reach 25 years of service between 7/1/97 and 7/1/2003, or who retire during that period on a disability retirement, the State will pay the monthly premium for your coverage if you choose NJ PLUS coverage or coverage under one of the HMOs. If you choose Traditional Plan coverage, you will pay a portion of the monthly premium (some law enforcement union members are not subject to premium sharing).
- **School Board or County College Employees:** If you have 25 years of service in the retirement system when you retire, or if you retire on a disability retirement, and you were eligible for health insurance coverage through your employer until your date of retirement, you are entitled to State-paid State Health Benefits Program coverage in retirement.
- **Local Employees:** You must have State Health Benefits Program coverage as an employee until your retirement date to be eligible to continue that coverage in retirement. Some employers have agreed to pay for coverage of employees who retire with 25 years of service in the retirement system or retire on a disability retirement. The employer may require that some or all of those years be with the employer at the time of retirement or may require that you be at least age 65 when you retire to qualify for this benefit. Some employers have also agreed to pay for coverage for those who are age 62 or older with at least 15 years of service credit in the retirement system.

If you have State Health Benefits Program (SHBP) coverage until your retirement date, but your employer has not agreed to pay for SHBP coverage for its retirees, or if you do not meet the employer's requirements for paid coverage in retirement, you must pay the monthly premium to continue that coverage into retirement. See the SHBP retiree rate charts for cost.

**STATE OF NEW JERSEY  
DEPARTMENT OF THE TREASURY—DIVISION OF PENSIONS AND BENEFITS  
PO BOX 295, TRENTON, NJ 08625-0295**

**REQUEST FOR A RETIREMENT ESTIMATE  
POLICE AND FIREMEN'S RETIREMENT SYSTEM**

Membership #: \_\_\_\_\_

Social Security #: \_\_\_\_\_

Name: \_\_\_\_\_

Birth Date: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Have you retired from PFRS  
previously and returned to work?  Yes  No

**Retirement Type: Check One**

- SERVICE**      At least age 55; no minimum service requirement  
or; 20–24 years of service at any age (if enrolled in the PFRS on 1/18/2000).
- SPECIAL**      Any age; 25 or more years of service\*
- DEFERRED**      Under age 55; 10 or more years of service\*; pension begins at age 55
- ORDINARY  
DISABILITY**      Totally and permanently disabled; 4 or more years of New Jersey service\*
- ACCIDENTAL  
DISABILITY**      Totally and permanently disabled as a result of an accident on the job  
What was the date of the accident that caused the disability? \_\_\_\_\_

Planned Retirement Date: \_\_\_\_\_ Date you will terminate employment: \_\_\_\_\_

*must be the first of a month  
and within 2 years of today's date*

Spouse's Name: \_\_\_\_\_ Spouse's Birth Date: \_\_\_\_\_

**THIS FORM IS NOT AN APPLICATION FOR RETIREMENT**

An application for retirement allowance must be filed with the Division of Pensions and Benefits before your retirement date, preferably three to four months in advance to allow time for processing. An application for retirement allowance will be enclosed with the estimate that we will send you if your planned retirement date is within six months.

*\*Service means service credited in the retirement system, which may not coincide with service with your employer. For Ordinary Disability, this service must have been performed in New Jersey. (Out-of-state, military, and U.S. government service purchases cannot be used to attain the 4 years.)*

**FOR DIVISION USE ONLY**

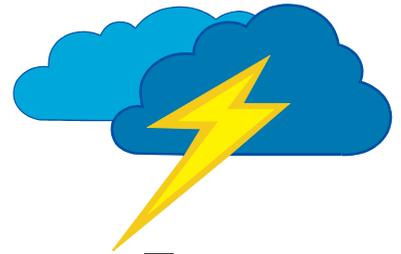
REASON FOR MANUAL CALCULATION (Attach screen print):

Chpt. 247       Chpt. 428       Other (Explain): \_\_\_\_\_

\_\_\_\_\_

Counselor: \_\_\_\_\_ Date: \_\_\_\_\_

Goodbye tension,



Hello pension!

