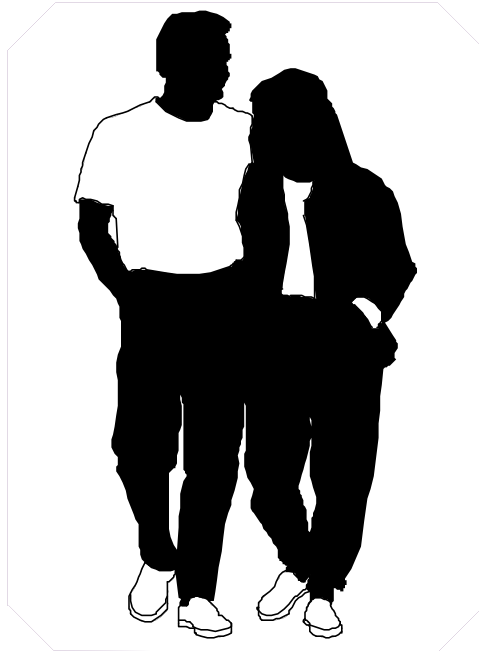


# ***Planning for Your Retirement***



A Guide for Members of the New Jersey  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
and the  
**TEACHERS' PENSION AND ANNUITY FUND**

*A Publication of the*  
New Jersey Division of Pensions and Benefits  
PO Box 295  
Trenton, NJ 08625-0295





# Planning for Your Retirement



*A Guide for Members of the*  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
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**TEACHERS' PENSION AND ANNUITY FUND**

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# Contacting the Division of Pensions and Benefits

## **Mailing Address**

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**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**

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**One State Street Square**  
**50 West State Street**  
**3rd 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 8:40 a.m. to 4:00 p.m. For directions to the Division, see page 4.

## **Telephone Numbers**

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### **Office of Client Services — (609) 292-7524**

General information from a pension counselor. Counselors are available Monday through Friday (except State holidays) from 9:00 a.m. to 4:00 p.m.

### **Automated Information System — (609) 777-1777**

Loan, withdrawal, and account information, along with purchase cost and retirement estimates.

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

Hearing impaired members can access telephone counselors Monday through Friday (except State holidays) from 9 a.m. to 4 p.m.

## **Additional Telephone Numbers**

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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)**

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**Division of Pensions and Benefits e-mail — [pensions\\_nj@tre.state.nj.us](mailto:pensions_nj@tre.state.nj.us)**

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

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# Benefit Information Library

If you would like additional information about any of the topics listed below, please call the Division of Pensions and Benefits' - Benefit Information Library at (609) 777-1931. When you call, you will hear instructions on how to use the library. Using the three digit number preceding each topic below will give you access to the prerecorded information on that topic. On most topics, printed information will be mailed at your request. Some items are also available by fax. The library is available 24 hours a day, seven days a week.

## (609) 777-1931 — Member Information

### RETIREMENT INFORMATION

- 200 Preparing for Retirement
- 201 Loans, Arrears, Shortages at Retirement
- 202 Pension Options - PERS/TPAF
- 203 Date and Option Changes - PERS/TPAF
- 204 Veteran Status/Establishing Veteran Status
- 100 Cost-of-Living Adjustment (COLA)
- 101 PERS Employment after Retirement
- 207 Estimate of Retirement Benefits
- 208 Enrolling in the SHBP When You Retire
- 210 Vesting/Deferred Retirement
- 211 PERS Types of Retirement
- 212 TPAF Types of Retirement
- 213 PFRS Types of Retirement
- 214 PERS/TPAF Disability Retirement
- 215 PFRS Disability Retirement
- 107 TPAF Employment After Retirement

### PURCHASE

- 220 Purchasing Service Credit
- 221 Estimating Purchase Cost - PERS/TPAF
- 223 Purchasing Temporary Service
- 224 Purchasing Leave of Absence
- 225 Purchasing Former Membership
- 226 Purchasing Military Service
- 227 Purchasing Out-of-State Service
- 228 Purchasing US Government Civilian Service
- 229 Purchasing Time Frames

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### DEATH BENEFITS

- 240 Reporting a Death
- 241 Active PERS Death Benefit
- 242 Active TPAF Death Benefit

- 244 Changing Your Beneficiary
- 245 Converting Life Insurance Coverage
- 246 Waiver on Non-contributory Group Life Insurance Over \$50K

### STATE HEALTH BENEFITS PROGRAM

- 250 Available Plans
- 251 Enrollment
- 252 Changing Your Coverage
- 253 Claims (Carrier Telephone Numbers)
- 254 COBRA
- 255 Reinstating Health Benefits After Leave of Absence
- 256 State Employees' Dental Expense Plan
- 257 State Employees' Prescription Drug Plan
- 258 Health Benefits Options Upon Termination of Employment

### MISCELLANEOUS

- 260 Withdrawal from the Retirement System
- 261 Taxability and Mandatory 20 Percent Withholding from Your Pension Distribution
- 262 Benefits at Termination of Employment
- 263 NJ State Employees Deferred Compensation Plan

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- 401 Our Address
- 402 Directions from South NJ via Rt. 206 North
- 403 Directions from Northeast NJ via Rt. 1
- 404 Directions from the NJ Shore
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- 06 Holiday Closings
- 07 Annual Benefit Statements
- 08 Directions from Northeast NJ via Turnpike
- 09 Directions from South NJ via Turnpike
- 15 Directions from South NJ via I-295 North



# 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. **When leaving the garage, walk to the door next to the elevator and you will be facing the side entrance to One State Street Square. After entering One State Street Square, take the elevator to the third floor.**

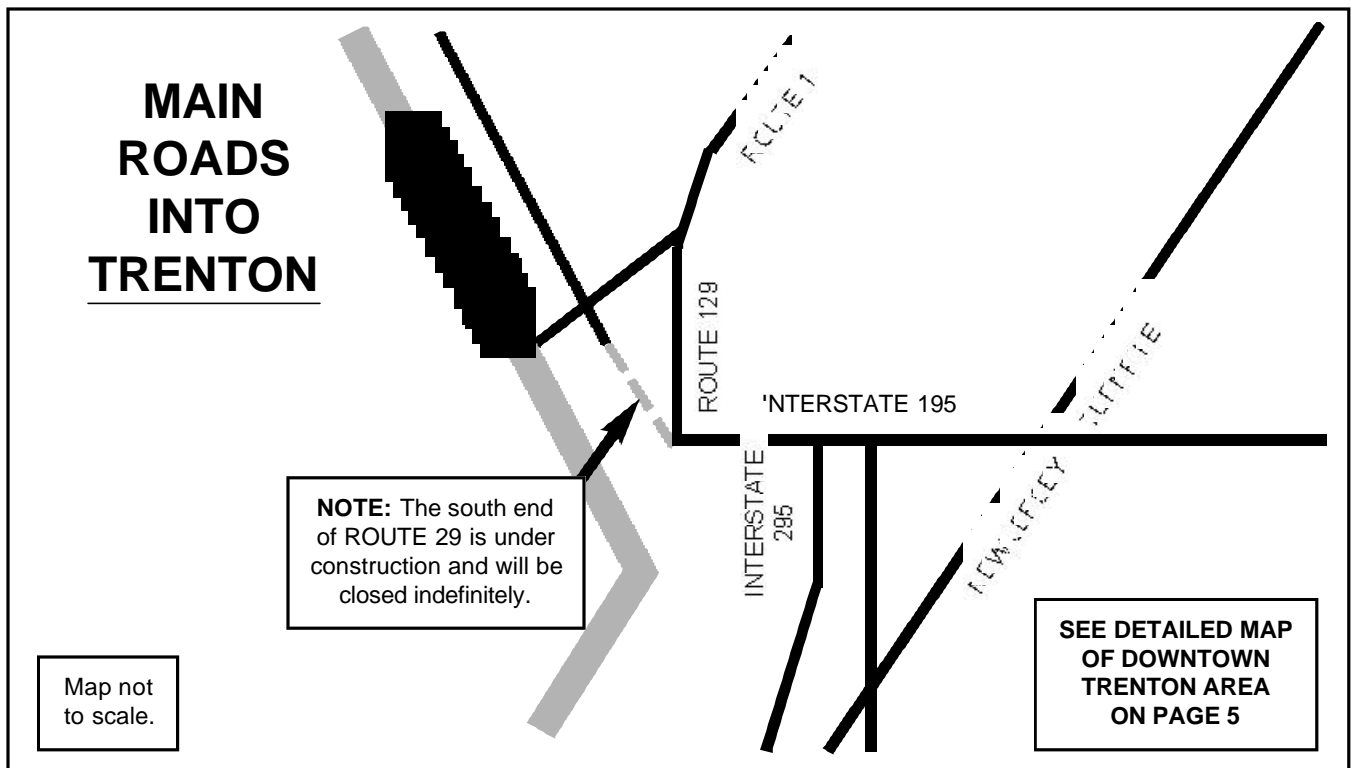
**You must pay to park in the parking garage.**

## 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 signs for Route 129. After passing three traffic lights, Route 129 merges with **Route 1 North**. Take the first exit (**Perry Street**). At the end of the exit ramp, turn left onto Perry Street. At the fourth traffic light, turn left onto **Warren Street**. At the second traffic light turn right onto **State Street**. At the next corner, turn right onto **Chancery Lane**. One-half block up is a 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.

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

### From Southern New Jersey

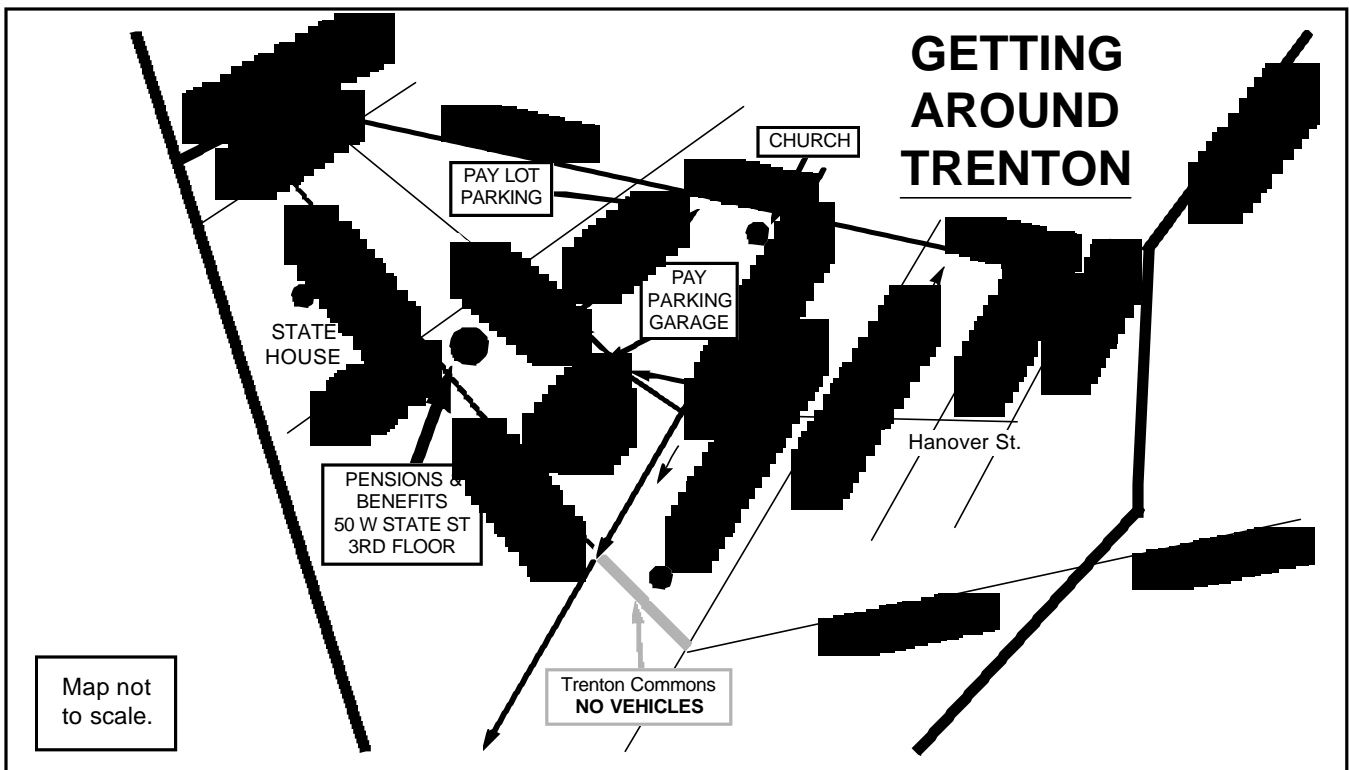
**If using the Turnpike**, take Exit 7A and follow the directions from Northeast New Jersey via the NJ Turnpike (on page 4).

**If using I-295 North**, take Exit 60 to **Route 129** and follow the directions for using Route 206 North (below) beginning with Route 129.

**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 129**, not I-295. After passing three traffic lights, Route 129 merges with **Route 1 North**. Take the first exit (**Perry Street**). At the end of the exit ramp, turn left onto Perry Street. At the fourth traffic light, 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 the New Jersey Shore Areas

Take I-195 West, then follow the directions from Northeast New Jersey via the NJ Turnpike (on page 4).



# Your Retirement Checklist

## 3 Six months to two years before retirement

Attend a pre-retirement seminar. These seminars are conducted by the Division of Pensions and Benefits. Contact the Division of Pensions and Benefits or your Human Resource Office for seminar dates, locations, and registration information.

Complete a *Request for Retirement Estimate* (available from the Division of Pensions and Benefits, your employer, or by calling the Benefit Information Library at (609) 777-1931 and entering selection number 207).

## 3 Three to five months before retirement

Complete an *Application for Retirement Allowance* and submit it to the Division of Pensions and Benefits (available from the Division or your employer).

Attach a photocopy of proof of your age, if not already on file with the Division, and proof of your beneficiary's age if choosing Options 2, 3, or 4.

Attach a copy of your DD214 if you are a military veteran applying for a Veteran Retirement and have not already proven your veteran status to the Division of Pensions and Benefits.

Request that your employer complete and submit a *Certification of Service and Final Salary* to the Division of Pensions and Benefits.

If you are a participant of Supplemental Annuity Collective Trust (SACT), contact the SACT office at the Division of Pensions and Benefits in writing or call (609) 633-2033 for the appropriate SACT forms.

If you are a participant of the New Jersey State Employees Deferred Compensation Plan, contact the Deferred Compensation office at the Division of Pensions and Benefits in writing or call (609) 292-3605 for the appropriate Deferred Compensation forms.

You will receive notification from the Division of Pensions and Benefits that it has received your retirement application. You will also receive answers to some frequently asked retirement questions.

If you are a member of the State Health Benefits Program (SHBP) or an eligible member of the PERS TPAF employed by a board of education or county college, you will receive an offering letter from the Health Benefits Bureau.





### **3** Approximately one to two months before retirement

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\_\_\_\_\_ You will receive a *Quotation of Retirement Benefits* from the Division of Pensions and Benefits. This will include:

- A quotation of the retirement allowances available with the option you selected.
- If you have an outstanding loan balance, the payoff amount will be quoted along with options on payment.
- If you have an outstanding purchase amount and/or shortage in your account, the payoff amount will be quoted.

### **3** Approximately one month before retirement

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\_\_\_\_\_ Your retirement will be presented to the retirement system's Board of Trustees for approval. You will receive notification from the Division of Pensions and Benefits that the Board of Trustees has approved your retirement. You will have 30 days from the board approval date or your effective retirement date (whichever is later) to change your option selection or retirement date, if you wish, by notifying the Division in writing. Option beneficiary changes can also be done during this period by filing a *Designation of Beneficiary* form. If you change your option or retirement date at this time, your selection must again be approved by the board. This may delay your first check.

\_\_\_\_\_ If you are a participant of SACT, you will receive separate distribution forms from that plan.

\_\_\_\_\_ If you are a participant of the New Jersey State Employees Deferred Compensation Plan, you will receive distribution forms from that plan.

\_\_\_\_\_ See your employer to arrange for continuation of any additional group health coverage (e.g., prescription, dental, or vision care) through COBRA.

\_\_\_\_\_ Check with your employer regarding any unused sick and vacation days.

### **3** Shortly after you retire

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\_\_\_\_\_ You will receive a W-4P for federal income tax withholding. You should complete the W-4P and return it to the Division of Pensions and Benefits. The Division will then withhold based on the information you provide on the W-4P.

\_\_\_\_\_ You will receive a Direct Deposit form. If you would like your pension check to be deposited directly into your bank account, complete the form and return it to the Division of Pensions and Benefits. You should allow 90 days for direct deposit of your retirement check to begin.

\_\_\_\_\_ The earliest your first retirement check can be paid is one month after your retirement date or Board of Trustees' approval date, whichever is later.

\_\_\_\_\_ If you are a participant of SACT, you will receive a separate check from that plan approximately 60 days after your retirement date.

\_\_\_\_\_ The amount of your life insurance coverage through the pension plan will decrease (if you have 10 or more years of service) or terminate (if you have less than 10 years of service) at retirement. See page 18 for information on conversion of group life insurance.

# Retirement Benefits Terms

The terms listed below are used in the Public Employees' Retirement System and Teachers' Pension and Annuity Fund retirement benefit charts and examples provided on the following pages.

**Application** — An *Application for Retirement Allowance* must be received by the Division of Pensions and Benefits prior to the date of retirement.

**Benefit Calculation** — Produces the maximum annual allowance. All allowance options will reduce the maximum allowance.

**Due and Payable** — 30 days after the retirement effective date as given on the retirement application or 30 days after approval by the pension plan's Board of Trustees, whichever is later.

**Final Average Salary (FAS)** — Final Average Salary is calculated in one of two ways:

1. the average base salary received in the 36 months (30 months if under a 10-month contract) immediately preceding your retirement date; or
2. the average of the highest three fiscal (July 1 to June 30) years of base salary. The fiscal years do not need to be consecutive.

**Loans** — Currently, if a member has an outstanding loan obligation at retirement:

1. the member may pay the loan in full prior to receiving any benefits; or
2. the loan may be carried into retirement with monthly deductions.

**Purchase of Service Credit** — All purchases of service credit must be paid in full before the first pension check can be paid. If not paid in full, the member's service credit will be reduced by the years and months of service not paid.

**Reduction Factor** — If a member retires on an Early Retirement before age 55, there is a 3 percent per year (or 1/4 percent per month) permanent reduction in the retirement allowance for every month the member is under age 55.

**Retirement Date** — Members must be off the payroll prior to retirement and may only retire on the first of a month. If the member is employed by more than one public employer under the retirement system, the member must terminate all employment prior to the retirement date.

**Salary** — The member's base or contractual salary on which pension contributions were made. It does not include bonuses, overtime pay, longevity pay given in a lump-sum or rolled into the member's salary in the final years of employment, or accumulated sick leave or vacation pay given in a lump-sum. It does not include adjustments made in anticipation of retirement.

**Service** — Indicates years of pension contributing service plus any purchase of pension service made during active participation in the pension system.

**Shortages** — Any shortages in pension accounts must be paid in full before the first retirement check can be paid.

**Traumatic Event** — 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, the worker must demonstrate that the injury was not induced by the 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.

# Public Employees' Retirement System (PERS)

## Types of Retirement

### SERVICE RETIREMENT

#### **Eligibility Requirements**

Age 60 or older; no minimum years of service required

#### **Benefit Calculation**

Years and months of service divided by 60, times the Final Average Salary (see *Retirement Benefit Terms on page 8*)

### EARLY RETIREMENT

#### **Eligibility Requirements**

25 or more years of service credit; benefit is reduced if member is under age 55 at retirement

#### **Benefit Calculation**

Years and months of service divided by 60, times the Final Average Salary, with 1/4 percent (.0025) permanent reduction for each month member is under age 55

### VETERAN RETIREMENT (1)

#### **Eligibility Requirements**

Age 62 or older with 20 or more years of service

#### **Benefit Calculation**

50 percent of the highest 12 consecutive months of salary on which contributions were made (if under a 10-month contract, the calculation is based on 10 months of salary)

### VETERAN RETIREMENT (2)

#### **Eligibility Requirements**

Age 60 or older with 35 or more years of service

#### **Benefit Calculation**

Years of service divided by 60, times last 12 months of salary on which contributions were made (if under a 10-month contract, the calculation is based on 10 months of salary)

### DEFERRED RETIREMENT

#### **Eligibility Requirements**

10 or more years of service credit, under age 60; benefits effective on the first day of the month after attaining age 60

#### **Benefit Calculation**

Years and months of service divided by 60, times the Final Average Salary

### ORDINARY DISABILITY

#### **Eligibility Requirements**

10 or more years of NJ service; must be considered totally and permanently incapacitated from further employment in the member's job title

#### **Benefit Calculation**

40 percent of the Final Average Salary or 1.5 percent of the Final Average Salary for each year of service, whichever is higher

### ACCIDENTAL DISABILITY

#### **Eligibility Requirements**

Enrolled on or before the date of the traumatic event (see *Retirement Benefit Terms on page 8*); must be considered totally and permanently incapacitated from further employment in the member's job title as a direct result of a traumatic event occurring during, and as a direct result of, the performance of regular duties; filed the application within five years of the date of the traumatic event

#### **Benefit Calculation**

2/3 of salary on the date of the traumatic event

# Teachers' Pension and Annuity Fund (TPAF)

## Types of Retirement

### SERVICE RETIREMENT

#### **Eligibility Requirements**

Age 60 or older; no minimum years of service required

#### **Benefit Calculation**

Years and months of service divided by 60, times the Final Average Salary (*see Retirement Benefit Terms on page 8*)

### EARLY RETIREMENT

#### **Eligibility Requirements**

25 or more years of service credit; benefit is reduced if member is under age 55 at retirement

#### **Benefit Calculation**

Years and months of service divided by 60, times the Final Average Salary, with 1/4 percent (.0025) permanent reduction for each month member is under age 55

### VETERAN RETIREMENT (1)

#### **Eligibility Requirements**

Age 60 or older with 20 or more years of service

#### **Benefit Calculation**

50 percent of the highest 12 consecutive months of salary on which contributions were made (if under a 10-month contract, the calculation is based on 10 months of salary)

### VETERAN RETIREMENT (2)

#### **Eligibility Requirements**

Age 55 or older with 25 or more years of service

#### **Benefit Calculation**

50 percent of the highest 12 consecutive months of salary on which contributions were made (if under a 10-month contract, the calculation is based on 10 months of salary)

### VETERAN RETIREMENT (3)

#### **Eligibility Requirements**

Age 60 or older with 35 or more years of service

#### **Benefit Calculation**

Years of service divided by 60, times last 12 months of salary on which contributions were made (if under a 10-month contract, the calculation is based on 10 months of salary)

### DEFERRED RETIREMENT

#### **Eligibility Requirements**

10 or more years of service credit, under age 60; benefits effective on the first of the month after attaining age 60

#### **Benefit Calculation**

Years and months of service divided by 60, times the Final Average Salary

### ORDINARY DISABILITY

#### **Eligibility Requirements**

10 or more years of NJ service; must be considered totally and permanently incapacitated from further employment in the member's job title

#### **Benefit Calculation**

40 percent of the Final Average Salary or 1.5 percent of the Final Average Salary for each year of service, whichever is higher

### ACCIDENTAL DISABILITY

#### **Eligibility Requirements**

Enrolled on or before the date of the traumatic event (*see Retirement Benefit Terms on page 8*); must be considered totally and permanently incapacitated from further employment in the member's job title as a direct result of a traumatic event occurring during, and as a direct result, of the performance of regular duties; filed the application within five years of the date of the traumatic event

#### **Benefit Calculation**

2/3 of salary on the date of the traumatic event

# Retirement Calculation - Examples

## SERVICE RETIREMENT Calculation

Member age — 61

Final Average Salary — \$40,000

Years of Service — 24 years

**Retirement Calculation** (maximum annual allowance)

$$24 \div 60 = .4 \times \$40,000 = \$16,000 \text{ annually (or } \$1,333/\text{month)}$$

## EARLY RETIREMENT (With Reduction) Calculation

Member Age — 53

Final Average Salary — \$40,000

Years of Service — 26 years

**Retirement Calculation** (maximum annual allowance)

$$\begin{array}{r} 26 \div 60 \times \$40,000 = \$17,333.33 \\ \times \quad .94 \text{ (Reduction Factor)} \\ \hline \$16,293.33 \text{ Annually (or } \$1,357.77/\text{month)} \end{array}$$

## VETERAN RETIREMENT Calculation

Member age — 63

Highest 12 months salary — \$40,000

Years of Service — 26 years

**Veteran Retirement Calculation** (maximum annual allowance)

$$1/2 \times \$40,000 = \$20,000.00 \text{ annually (or } \$1,666.66/\text{month)}$$

# Explanation of Retirement Options

Please read this information carefully!

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

When you apply for retirement, you will have to choose one of five ways to receive your retirement benefits. Please be sure you understand the different payment options available to you because once you have made your choice and your first retirement check is issued, you cannot change your payment option.

## Maximum Allowance

The Maximum Allowance, sometimes called a single-life annuity, is the highest amount payable and provides a retirement benefit to you for the remainder of your life. If you are not providing either a lump-sum benefit or providing a monthly income to another person after your death, the Maximum Allowance may be the most appropriate payment option for you. The benefit payments continue for your lifetime only. Upon your death, the benefit ends and your survivors do not receive a pension allowance. If you die before receiving, through your retirement allowance, the amount that you paid into the retirement system while working (including interest on those contributions), the balance of your contributions will be paid to your beneficiary.

## Alternatives to the Maximum Allowance

There are four other options available to you that may provide a benefit to your beneficiary after you die. By taking an option, you reduce your own monthly retirement allowance.

### Option 1

Option 1 provides a retirement benefit to you for

### EXAMPLE 1

Member's Age	.....	.61
Beneficiary's Age	.....	.59
Final Average Salary (FAS)	.....	\$30,000
Service Credit	.....	.30 years
Date of Retirement	.....	January 1, 2001
Base Salary (prior 36 months):		
.....	1/1/98 - 12/31/98	..... \$28,000
.....	1/1/99 - 12/31/99	..... \$30,000
.....	1/1/00 - 12/31/00	..... <u>\$32,000</u>
.....		..... \$90,000
FAS	.....	\$90,000 ÷ 3 = ..... \$30,000

### OPTION CALCULATIONS — EXAMPLE 1

#### Maximum Allowance:

$$30 \div 60 \times \$30,000 = \$15,000 \text{ annual allowance}$$

$$\text{Member Benefit} = \$1,250 \text{ per month for life}$$

\*Beneficiary benefits do not apply.

#### Option 1:

$$\text{Member Benefit} = \$1,204 \text{ per month for life}$$

$$\text{Initial Reserve} = \$141,000.$$

$$\text{After 5 years} = \$68,760 \text{ for beneficiary(ies)}$$

$$\text{After 9 years, 9 months} = \$0.00 \text{ for beneficiary(ies)}$$

#### Option 2 — (100 Percent Survivorship)

$$\text{Member Benefit} = \$1,063 \text{ per month for life.}$$

Beneficiary Benefit = \$1,063 per month (payable upon member's death for the life of the beneficiary)

#### Option 3 — (50 Percent Survivorship)

$$\text{Member Benefit} = \$1,163 \text{ per month for life}$$

Beneficiary Benefit = \$582 per month (payable upon member's death for the life of the beneficiary)

**EXAMPLE 2**

Member's Age .....61  
 Beneficiary's Age .....59  
 Final Average Salary (FAS) .....\$50,000  
 Service Credit .....30 years  
 Date of Retirement .....January 1, 2001  
 Base Salary (prior 36 months):  
     .....1/1/98 - 12/31/98 ..... \$47,000  
     .....1/1/99 - 12/31/99 ..... \$50,000  
     .....1/1/00 - 12/31/00 ..... \$53,000  
     .....\$150,000  
 FAS ..... \$150,000 ÷ 3 = ..... \$50,000

**OPTION CALCULATIONS — EXAMPLE 2**

**Maximum Allowance:**

$30 \div 60 \times \$50,000 = \$25,000$  annual allowance

Member Benefit = \$2,083 per month for life

\*Beneficiary benefits do not apply.

**Option 1:**

Member Benefit = \$2,006 per month for life

Initial Reserve = \$235,000.

After 5 years = \$114,640 for beneficiary(ies)

After 9 years, 10 months = \$0.00 for beneficiary(ies)

**Option 2 — (100 Percent Survivorship)**

Member Benefit = \$1,771 per month for life.

Beneficiary benefit = \$1,771 per month (payable upon member's death for the life of the beneficiary)

**Option 3 — (50 Percent Survivorship)**

Member Benefit = \$1,937 per month for life

Beneficiary Benefit = \$969 per month (payable upon member's death for the life of the beneficiary)

the remainder of your life. It is different than the Maximum Allowance in that it may provide a lump-sum payment to your beneficiary after your death. At the time of your retirement, the present value of your retirement benefits is calculated. This is called your retirement reserve. If you die before you receive your retirement reserve in the form of monthly retirement benefits, your beneficiary is entitled to the balance.

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

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

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

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

**Joint and Survivor Annuities**

To provide a joint and survivor annuity benefit (Options 2, 3, or 4), you receive a smaller monthly benefit than that provided under the Maximum Allowance. The percentage of reduction is based on your life expectancy, and your beneficiary's, at

the time of your retirement and the option you selected. Therefore, the younger your beneficiary, the greater the percentage of reduction in your benefit. Your beneficiary, under these options, must be an individual; that is, you may not designate a charity, institution, your estate, etc. as a beneficiary. See the worksheet on page 15 to estimate the reduction in your benefit under these options.

**Option 2**

Option 2, sometimes called a 100 percent joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will continue to receive your benefit for his or her life. You can name only one beneficiary to receive this benefit and the beneficiary can never be changed.

### **Option 3**

Option 3, sometimes called a 50 percent joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive one-half of your benefit for his or her life. You can name only one beneficiary to receive this benefit and the beneficiary can never be changed.

### **Option 4**

If the preceding payment options do not meet your financial needs, you may want to consider Option 4. Option 4 provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive an amount designated by you for his or her life. You can name one beneficiary or multiple beneficiaries to receive this benefit and the beneficiary(ies) can never be changed.

### **Proof of Age Documentation**

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

### **Non-spouse Beneficiaries**

Only your spouse, or a non-spouse who is within 10 years of your age, can be named as a beneficiary under Option 2. In addition, if you name a non-spouse beneficiary under Option 4 who is not within 10 years of your age, the Internal Revenue Service limits the amount the beneficiary can receive.

### **Life Insurance After Retirement**

Most members of the Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) are covered by group life insurance while employed. At retirement, those members will receive a reduced life insurance benefit to be paid to their beneficiary upon their death, provided that they have credit for at least 10 years of service in the pension plan.

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

### **Estimating Your Retirement Allowance**

The attached worksheet can be used to determine a rough estimate of your Maximum, Option 2, and Option 3 retirement allowances.

If you are within two years of retirement, you may obtain a written *Estimate of Retirement Benefits* by completing a *Request for Retirement Estimate* form, available from your employer or the Division of Pensions and Benefits. You may also call the Division of Pensions and Benefits' Automated Information System at (609) 777-1777 to hear a computer-generated telephone estimate. Please have your Social Security number available when you call. If you provide us with the name and birth date of your beneficiary, we will estimate not only the Maximum Allowance but also alternate payment options.



# Payment Option Worksheet

**Step 1: Calculate an estimate of your Maximum Allowance.**

- (a) How many years and months of pension service will you have at retirement? Divide the number of months by 12. The decimal it produces is added to the number of years. For example, 27 years and 5 months = 27.42 years.

Answer (a) \_\_\_\_\_

- (b) What will be the average annual salary you will earn in the three years prior to retirement or your highest three fiscal years of salary (whichever is higher)?

Answer (b) \_\_\_\_\_

**Calculate your Maximum Allowance:**

**Service or Early\* Retirement**

$$\left[ \frac{\text{_____}}{\text{(a)}} \div 60 \right] \times \$ \frac{\text{_____}}{\text{(b)}} = \$ \frac{\text{_____}}{\text{Maximum Annual Allowance}}$$

**Veteran\*\* Retirement**       $.50 \times \$ \frac{\text{_____}}{\text{Highest 12 months of salary}} = \$ \frac{\text{_____}}{\text{Maximum Annual Allowance}}$

\*Your allowance is reduced by .0025 for each month you are under age 55 (.03 per year).

\*\*Veterans who are at least age 60 with over 35 years of pension membership credit can use the Service Retirement calculation above but substitute the last 12 months of salary in item (b).

**Step 2: Determine your age and your beneficiary's age at the time of retirement.** (Round up to the next age if you or your beneficiary are within 6 months of your next birthday on the retirement date.)

- (a) What will your age be at the time of retirement? \_\_\_\_\_
- (b) What will your beneficiary's age be at the time of your retirement? \_\_\_\_\_
- (c) What option are you considering? \_\_\_\_\_

**Step 3: Calculate joint and survivor benefit payment.**

- (a) Go to the appropriate chart (see page 16) based on your answer to step 2c above.
- (b) Find your age (from step 2a) along the top of the chart. Go down that column until you reach the benefit percentage corresponding to the age of your beneficiary (from step 2b).
- (c) Multiply that age factor by your Maximum Allowance from step 1. This results in your annual benefit amount. Under Option 2, your beneficiary receives the same amount as you. Under Option 3, your beneficiary receives half this amount.

Example: Member age 60; beneficiary age 55; 30 years of pension service; \$40,000 average salary; selected Option 2.

$$[30 \div 60] \times \$40,000 = \$20,000 \text{ per year} = \text{your Maximum Allowance}$$

$$\$20,000 \times .84 = \$16,800 \text{ per year} = \text{your Option 2 allowance}$$

**Calculate joint and survivor benefit payment under Option 2:**

$$\frac{\text{Your Maximum Allowance}}{\text{Allowance}} \times \frac{\text{Age factor from chart - page 16}}{\text{Age factor from chart - page 16}} = \$ \frac{\text{Annual beneficiary benefit amount}}{\text{benefit amount}}$$

**Table A: Option 2 Percentage Table — (Non-disability Retirement)**

		MEMBER'S AGE															
		55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70
BENEFICIARY'S AGE	50	.865	.855	.845	.835	.825	.815	.805	.795	.785	.775	.765	.755	.745	.735	.725	.715
	51	.870	.860	.850	.840	.830	.820	.810	.800	.790	.780	.770	.760	.750	.740	.730	.720
	52	.875	.865	.855	.845	.835	.825	.815	.805	.795	.785	.775	.765	.755	.745	.735	.725
	53	.880	.870	.860	.850	.840	.830	.820	.810	.800	.790	.780	.770	.760	.750	.740	.730
	54	.885	.875	.865	.855	.845	.835	.825	.815	.805	.795	.785	.775	.765	.755	.745	.735
	55	.890	.880	.870	.860	.850	.840	.830	.820	.810	.800	.790	.780	.770	.760	.750	.740
	56	.895	.885	.875	.865	.855	.845	.835	.825	.815	.805	.795	.785	.775	.765	.755	.745
	57	.900	.890	.880	.870	.860	.850	.840	.830	.820	.810	.800	.790	.780	.770	.760	.750
	58	.905	.895	.885	.875	.865	.855	.845	.835	.825	.815	.805	.750	.785	.775	.765	.755
	59	.910	.900	.890	.880	.870	.860	.850	.840	.830	.820	.810	.800	.790	.780	.770	.760
	60	.915	.905	.895	.885	.875	.865	.855	.845	.835	.825	.815	.805	.795	.785	.775	.765
	61	.920	.910	.900	.890	.880	.870	.860	.850	.840	.830	.820	.810	.800	.790	.780	.770
	62	.925	.915	.905	.895	.885	.875	.865	.855	.845	.835	.825	.815	.805	.795	.785	.775
	63	.930	.920	.910	.900	.890	.880	.870	.860	.850	.840	.830	.820	.810	.800	.790	.780
	64	.935	.925	.915	.905	.895	.885	.875	.865	.855	.845	.835	.825	.815	.805	.795	.785
	65	.940	.930	.920	.910	.900	.890	.880	.870	.860	.850	.840	.830	.820	.810	.800	.790
	66	.945	.935	.925	.915	.905	.895	.885	.875	.865	.855	.845	.835	.825	.815	.805	.795
	67	.950	.940	.930	.920	.910	.900	.890	.880	.870	.860	.850	.840	.830	.820	.810	.800
	68	.955	.945	.935	.925	.915	.905	.895	.885	.875	.865	.855	.845	.835	.825	.815	.805
	69	.960	.950	.940	.930	.920	.910	.900	.890	.880	.870	.860	.850	.840	.830	.820	.810
70	.965	.955	.945	.935	.925	.915	.905	.895	.885	.875	.865	.855	.845	.835	.825	.815	

**Table B: Option 3 Percentage Table — (Non-disability Retirement)**

		MEMBER'S AGE															
		55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70
BENEFICIARY'S AGE	50	.945	.935	.925	.915	.905	.895	.885	.875	.865	.855	.845	.835	.825	.815	.805	.795
	51	.950	.940	.930	.920	.910	.900	.890	.880	.870	.860	.850	.840	.830	.820	.810	.800
	52	.955	.945	.935	.925	.915	.905	.895	.885	.875	.865	.855	.845	.835	.825	.815	.805
	53	.960	.950	.940	.930	.920	.910	.900	.890	.880	.870	.860	.850	.840	.830	.820	.810
	54	.965	.955	.945	.935	.925	.915	.905	.895	.885	.875	.865	.855	.845	.835	.825	.815
	55	.970	.960	.950	.940	.930	.920	.910	.900	.890	.880	.870	.860	.850	.840	.830	.820
	56	.975	.965	.955	.945	.935	.925	.915	.905	.895	.885	.875	.865	.855	.845	.835	.825
	57	.980	.970	.960	.950	.940	.930	.920	.910	.900	.890	.880	.870	.860	.850	.840	.830
	58	.985	.975	.965	.955	.945	.935	.925	.915	.905	.895	.885	.875	.865	.855	.845	.835
	59	.990	.980	.970	.960	.950	.940	.930	.920	.910	.900	.890	.880	.870	.860	.850	.840
	60	.995	.985	.975	.965	.955	.945	.935	.925	.915	.905	.895	.885	.875	.865	.855	.845
	61	.999	.990	.980	.970	.960	.950	.940	.930	.920	.910	.900	.890	.880	.870	.860	.850
	62	.999	.995	.985	.975	.965	.955	.945	.935	.925	.915	.905	.895	.885	.875	.865	.855
	63	.999	.999	.990	.980	.970	.960	.950	.940	.930	.920	.910	.900	.890	.880	.870	.860
	64	.999	.999	.995	.985	.975	.965	.955	.945	.935	.925	.915	.905	.895	.885	.875	.865
	65	.999	.999	.999	.990	.980	.970	.960	.950	.940	.930	.920	.910	.900	.890	.880	.870
	66	.999	.999	.999	.995	.985	.975	.965	.955	.945	.935	.925	.915	.905	.895	.885	.875
	67	.999	.999	.999	.999	.990	.980	.970	.960	.950	.940	.930	.920	.910	.900	.890	.880
	68	.999	.999	.999	.999	.995	.985	.975	.965	.955	.945	.935	.925	.915	.905	.895	.885
	69	.999	.999	.999	.999	.999	.990	.980	.970	.960	.950	.940	.930	.920	.910	.900	.890
70	.999	.999	.999	.999	.999	.995	.985	.975	.965	.955	.945	.935	.925	.915	.905	.895	

## Cost-of-Living Adjustments (COLA)

In accordance with N.J.S.A. 43:3B-1, 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.

The Pension Adjustment Program provides cost-of-living adjustments (COLA) to retirees and survivors who are receiving monthly retirement allowances from the state-administered retirement systems. The first adjustment is available to all retirees and eligible survivors on the 25th month after the member's retirement. Subsequent cost-of-living adjustments are computed annually and the adjustment is reflected each year in the February 1 check (which is payment for the month of January).

Your rate of increase is equal to 60 percent of the percentage of change between the average Consumer Price Index (CPI) for the calendar year in which the member retired and the average CPI for the 12-month period ending August 31 immediately preceding the year when the adjustment is payable.

### **Example: To calculate the COLA due February 1, 2000**

A member retired in 1983 with a monthly retirement allowance of \$1,278.35.\* The average CPI for the twelve months ending December 31, 1983, was 99.8. The average CPI for the twelve months ending August 31, 1999, was 161.8.

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

- To calculate the change in the CPI, subtract 99.8 from 158.9.

$$161.8 - 99.8 = 62.0$$

- To calculate the percentage change in the CPI between the retirement year, 1983, and the 12 months ending August 31, 1999, divide 62.0 by 99.8 which equals 62.124%.

$$= 62.124\%$$

- The cost-of-living adjustment rate for February 1, 2000, equals 60 percent of 62.124 percent or 37.2744 percent.

$$60\% \times 62.124\% = 37.2744\%$$

- Therefore the cost-of-living adjustment for this member is 37.2744 percent of \$1,278.35 or a \$476.50 increase.

$$37.2744\% \times \$1,278.35 = \$476.50$$

- The total monthly benefit equals \$1,754.85 (\$476.50 + \$1,278.35).

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

# Group Life Insurance Coverage

As an active employee you may be covered by two types of group life insurance — Non-Contributory Group Life Insurance and Contributory Group Life Insurance. Non-Contributory Group Life Insurance is provided by your employer through the retirement system at no cost to you. Contributory Group Life Insurance is the insurance for which you pay. The cost of the insurance for PERS members is .50 of one percent (.0050) of your base salary. The cost for TPAF members is .40 of one percent (.0040) of your base salary. If you decide to cancel your Contributory Group Life Insurance, you cannot be reinstated nor are your contributions refunded. If a retiree was enrolled as a member 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. Contributory group life insurance coverage ceases at retirement for PERS members and is reduced to 1/4 of salary for TPAF members.

If you die as an active member of the retirement system, your beneficiaries are entitled to the payment of group life insurance benefits and the return of your accumulated pension contributions with interest.

## Payment of Group Life Insurance

You can complete a *Designation of Beneficiary* form to designate how your active group life insurance benefits will be paid (group life insurance for retirees must be paid in a Lump-Sum). If you choose Lump-Sum, your beneficiary can pick another payment option at the time of your death. The options for payment are:

- Lump-sum
- Annuity Certain, which 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, which is paid monthly to your beneficiary for life. Payment continues even if your beneficiary outlives the actual benefit amount. The value of the annuity is based on the amount payable and the life expectancy of the beneficiary. Payment ceases at the beneficiary's death.
- Other possibilities include options provided by Prudential Insurance to its ordinary life policy holders.

## Conversion Privileges Upon Retirement / Termination

Most members of the Public Employees'

### **PLEASE READ THIS NOTICE CAREFULLY**

If you have questions concerning this material, contact the Division of Pensions and Benefits at (609) 292-7524. If you want more information concerning conversion, please can contact Prudential at 1-800-262-1112.

If your life insurance is in force upon retirement, it will be reduced to an amount specified by the law. However, within the 31-day period following termination of employment, you have the privilege of conversion up to the amount by which your life insurance has been reduced. During this 31-day period you may convert your group life insurance, without a medical examination, to an individual policy issued by Prudential. You may select any type of individual policy customarily issued by Prudential except term life insurance or a policy containing disability benefits. The premiums will be the same as you would ordinarily pay if you applied for an insurance policy at that time. The premiums, however, are higher than the premiums you would pay if you could qualify medically for an individual policy. A request for an individual policy should be submitted directly to your nearest Prudential office, together with your group life insurance certificate. If you have not converted your group life insurance to an individual policy by the end of the 31-day period, your opportunity to convert will end. The individual policy will be effective at the end of a 31-day period from when Prudential receives the application.

Retirement System and Teachers' Pension and Annuity Fund are covered by group life insurance benefits during their active membership. However, many inquiries are received from members concerning continuance of their group life insurance coverage at retirement/termination. Any questions you may have about converting your group life insurance to an individual policy should be raised prior to the date you terminate employment, begin a leave of absence, or retire.

The intent of this notice is to serve as a reminder to you that certain conversion privileges are available to members covered by the group life insurance programs. The notice should not be considered a contract of insurance. The complete terms of group life insurance coverage are set forth in the group life insurance policy issued pursuant to the authority granted by the statute.

### **Policy Numbers for PERS or TPAF**

The following policy numbers are necessary when you visit your nearest Prudential Office to convert your insurance.

- Non-Contributory Group Life Insurance (PERS and TPAF) — G-14800
- Contributory Group Life Insurance (PERS) — GC-13900
- Contributory Group Life Insurance (TPAF) — GC-14300

### **Examples of Retired Life Insurance Conversion for PERS & TPAF Members**

#### **PERS EXAMPLE**

This example applies to members of the Public Employees' Retirement System only. If the base salary you earned in the 12 months prior to retirement was \$30,000 and you had contributory life insurance coverage, your death benefit as an active member would be \$90,000 (3 x \$30,000). Once you retire, that benefit would be reduced to \$5,625 (3/16 x \$30,000) (providing you qualify for insurance coverage in retirement). If you decide to convert your coverage, you could purchase up to \$84,375 (\$90,000 - \$5,625) worth of coverage.

#### **TPAF EXAMPLE Contributory and Non-contributory**

This example applies to members of the Teachers' Pension and Annuity Fund only. If the base salary you earned in the 12 months prior to retirement was \$30,000 and you had contributory life insurance coverage, your death benefit as an active member would be \$105,000 (3 1/2 x \$30,000). Once you retire and if you retained both contributory and non-contributory coverage, that benefit would be reduced to \$13,125\* (7/16 x \$30,000) (providing you qualify for insurance coverage in retirement). If you decide to convert your coverage, you could purchase up to \$91,875 (\$105,000 - \$13,125) worth of coverage.

*\*For members of TPAF, the death benefit in retirement is based on the highest contractual salary year.*

#### **TPAF EXAMPLE Non-contributory Coverage Only**

This example applies to members of the Teachers' Pension and Annuity Fund only. If the base salary you earned in the 12 months prior to retirement was \$30,000 and you had non-contributory life insurance coverage only, your death benefit as an active member would be \$45,000 (1 1/2 x \$30,000). Once you retire, that benefit would be reduced to \$5,625\* (3/16 x \$30,000) (providing you qualify for insurance coverage in retirement). If you decide to convert your coverage, you could purchase up to \$39,375 (\$45,000 - \$5,625) worth of coverage.

*\*For members of TPAF, the death benefit in retirement is based on the highest contractual salary year.*

<b><u>COVERAGE FOR ACTIVE MEMBERS (PERS)</u></b>		
AGE AT DEATH	MEMBERS UNDER NON-CONTRIBUTORY PLAN ONLY	MEMBERS UNDER NON-CONTRIBUTORY AND CONTRIBUTORY PLANS
At any age	1-1/2 x salary*	3 x salary*
<hr/>		
<b><u>COVERAGE FOR RETIRED MEMBERS (PERS)</u></b>		
TYPE OF RETIREMENT	DEATH BEFORE AGE 60	DEATH AT AGE 60 OR OLDER
Disability	1-1/2 x salary*	3/16 x salary*
Early	3/16 x salary*	3/16 x salary*
Deferred	None	3/16 x salary*
Service & Veteran	Does not apply	3/16 x salary*

<b><u>COVERAGE FOR ACTIVE MEMBERS (TPAF)</u></b>		
AGE AT DEATH	NON-CONTRIBUTORY PLAN ONLY	MEMBERS UNDER NON-CONTRIBUTORY AND CONTRIBUTORY PLANS
At any age	1-1/2 x salary*	3-1/2 x salary*
<hr/>		
<b><u>COVERAGE FOR RETIRED MEMBERS (TPAF)</u></b>		
<b>Members Under Non-contributory Plan Only</b>		
TYPE OF RETIREMENT	DEATH BEFORE AGE 60	DEATH AT AGE 60 OR OLDER
Disability	1-1/2 x salary*	3/16 x salary*
Early and Veteran	3/16 x salary*	3/16 x salary*
Deferred	None	3/16 x salary*
Service	Does not apply	3/16 x salary*
<hr/>		
<b><u>COVERAGE FOR RETIRED MEMBERS (TPAF)</u></b>		
<b>Members Under Both Contributory and Non-contributory Plan</b>		
TYPE OF RETIREMENT	DEATH BEFORE AGE 60	DEATH AT AGE 60 OR OLDER
Disability	1-3/4 x salary*	7/16 x salary*
Early and Veteran	7/16 x salary*	7/16 x salary*
Deferred	None	7/16 x salary*
Service	Does not apply	7/16 x salary*

**\*Note:** The definition of salary in the preceding charts is the total base salary upon which your pension contributions were based during the year preceding your retirement. Under the TPAF, the definition of salary is the total base salary upon which your pension contributions were based during the year preceding your retirement or highest contractual year.

## Accidental Death Benefits

If you die as a result of an accident during the performance of your regular or assigned duties, and your death is not a result of willful negligence, your beneficiaries may be entitled to Accidental Death benefits. Your widow or widower is paid an annual pension of 50 percent of your final salary. This benefit is either a lifetime benefit to your widow or widower, unless he or she remarries.

If there is no eligible widow or widower, or if the widow or widower remarries, a pension is paid to your eligible children in these amounts :

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

If there is no eligible widow, widower, or children, a pension will be paid to your eligible parents in these amounts:

- 25 percent of final salary to one eligible parent; or
- 40 percent of final salary to two eligible parents.

Final Salary is the total base salary on which your pension contributions were based during the last year (10 or 12 months) before your death or the accident which led to your death.

Your eligible beneficiaries for Accidental Death benefits are:

- WIDOW OR WIDOWER means the person to whom you were married before and on the date of your death and who was receiving at least one-half support from you in the 12 months immediately preceding your death or the accident which led to your death. If your widow(er) remarries after your death, benefits cease.
- CHILD(REN) means your unmarried child(ren):
  - under the age of 18
  - of 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 affirmed by the Medical Board.
- PARENT(S) means your parent(s) who was (were) receiving at least one-half support from you in the 12 months immediately preceding your death or the accident which led to your death. If your parent remarries after your death, benefits cease.

# Purchasing Service Credit

Your retirement allowance is based, in part, on the amount of service credit posted to your pension account at the time of retirement. It may be beneficial for you to purchase additional service credit if you are eligible to do so. You may purchase all or part of the eligible service.

The following types of service credit are eligible for purchase. Please read each one and decide if the employment you wish to purchase meets the eligibility criteria:

## Temporary/Substitute Service (Employment before enrollment)

Members may be eligible to purchase service credit for employment rendered before enrollment or transfer into the pension plan if:

- the employment was without interruption,
- the employment immediately preceded enrollment in the pension plan, and
- the employment was with the same employer through which you enrolled in the pension plan.

Members may purchase temporary service rendered immediately prior to a former account.

## Leave of Absence Without Pay

Members may purchase additional service for periods of leave of absence under the following circumstances:

- the leave of absence must have occurred while the employee was a member of a New Jersey State-administered retirement system;
- for leave due to personal illness, up to a maximum of two years is purchasable (maternity leave is considered personal illness);
- for leave due to personal reasons, up to a maximum of three months is purchasable (child care leave may be eligible under the personal reasons category); and
- an employee who is paid 10 months a year who was on an approved leave that includes the month of September may be allowed to purchase service for the months of July and August as part of the leave of absence.

## Former Membership Service

Members may purchase service under a former membership in a pension plan administered by the State of New Jersey when the previous membership has been inactive for two years or contributions have been withdrawn.

## Out-of-State Service

Members may purchase up to 10 years of public employment which occurred in any state, county, municipality, school district, or public agency outside the State of New Jersey. This service may only be purchased if it would have been eligible for credit in a New Jersey State-administered retirement system, if rendered in New Jersey.

Purchase is not permitted if the member is receiving or eligible to receive retirement benefits from the out-of-state pension fund.

Out-of-State service cannot be used to qualify for disability retirement.

## U.S. Government Service

Members may purchase up to 10 years for civilian service with the U.S. Government. This serv-



ice may only be purchased if it would have been eligible for credit in a New Jersey State-administered retirement system.

Purchase is not permitted if the member is receiving or eligible to receive retirement benefits from the federal government based in whole or in part on this service.

U.S. Government Service cannot be used to qualify for disability retirement.

### **Military Service Before Enrollment**

Members may purchase up to 10 years of active military service rendered prior to enrollment.

Purchase is not permitted if the member is receiving or eligible to receive a military pension or pension from any other state or local source for such military service.

Military Service Before Enrollment cannot be used to qualify for disability retirement.

If you qualify as a non-veteran, you are eligible to purchase a combined total of 10 years of service credit for 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 a combined total of 15 years of service credit.

### **Military Service After Enrollment**

Members may purchase military service rendered after August 1, 1974 if the following criteria are met:

- you were a member of a New Jersey State-administered retirement system when you entered the peacetime military service; **and**
- you return to employment within the time periods prescribed by federal law in a position covered by a New Jersey State-administered retirement system when you are discharged from, or otherwise end your military service; **and**
- within one year following the date of return to employment or the date initial pension contributions are certified to begin, you apply for or inquire in writing about the purchase of this service.

Military Service After Enrollment cannot be used to qualify for disability retirement.

### **Uncredited Service**

Members may purchase any regular employment with a New Jersey public employer in situations where membership service was not granted and enrollment in a State-administered retirement system was mandatory.

### **Local Retirement System Service**

The member must purchase all eligible service.

Members may purchase service established under a local retirement system in New Jersey.

Purchase is not permitted if the member is receiving or eligible to receive retirement benefits from that public pension fund.

Processing times vary depending on the type of purchase requested. Since your cost is based on your age and highest salary at the time we receive your request, a delay in the processing of your application will not result in an increased purchase cost.

You can receive updates on current processing time schedules by calling the Benefit Information Library at (609) 777-1931, 24 hours a day, 7 days a week. All you need is a touch-tone phone. After listening to the brief introductory message, enter catalog selection number 229.

# Estimating the Cost of Purchasing Service Credit

If you have a touch-tone phone, you can obtain a purchase estimate by calling the Automated Information System at (609) 777-1777. This service is available 24 hours a day. Please have your Social Security number available when you call.

The cost of purchasing service credit is based on your nearest age at the time the Division of Pensions and Benefits receives all appropriate documentation 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 increase with an increase in your age and/or salary.

When you agree to purchase a certain amount of 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. If you retire before completing all required payments, you will receive prorated credit for the amount of service actually purchased or you can pay the balance and receive full credit. Recent legislation allows cancellation of purchase payments, but does not allow for a refund of payments already made; you will receive prorated credit for the amount of service actually purchased.

You may obtain a quotation of the cost of purchasing service credit by submitting the appropriate purchase application to: **Supervisor of Purchases, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295.**

Before you submit your application to purchase service credit, you may want to estimate the cost yourself. Please follow the instructions under "Calculating the Cost to Purchase Service" on the following page to determine the cost of your purchase.

## **The Benefit of Purchasing Service Credit as a Percentage of Final Average Salary**

1 year	=	1.667 %
3 years	=	5.000 %
5 years	=	8.333 %
10 years	=	16.667 %
15 years	=	25.000 %
20 years	=	33.333 %
25 years	=	41.667 %
30 years	=	50.000 %

# Calculating the Cost to Purchase Service

## To calculate the cost of a purchase:

1. Determine the higher of either your current annual base salary or the highest fiscal year base salary you earned as a member of the retirement system. Enter this salary in the base salary space provided.
2. Using the COST FACTOR chart, find your age. Enter the PURCHASE FACTOR associated with this age in the space provided on the worksheet. The age used is the nearest age at the time of the request. For example, if you submit your request in June and you will turn 36 in August, you would use the factor on the table that corresponds with 36.
3. Multiply the base salary times the PURCHASE FACTOR on the worksheet. This will result in the COST FOR ONE YEAR.
4. Multiply the COST FOR ONE YEAR by the NUMBER OF YEARS you wish to purchase. This will result in the LUMP-SUM PURCHASE COST for that service.

For most types of purchase, the cost is shared between the employee and the employers who participate in the pension plan. However, to calculate the cost of purchase for MILITARY, U.S. GOVERNMENT, and LOCAL RETIREMENT SYSTEM (PERS) service, DOUBLE the LUMP-SUM PURCHASE COST. *(For Military, U.S. Government, and Local Retirement System service, the law stipulates that the employer shall not be liable for any costs of purchasing service; therefore, the employee must pay both the employee and employer share.)*

## Payment Options for Purchasing Service

The payment options for purchasing additional service credit are:

1. One Lump-Sum payment for the full cost of the purchase.
2. Payroll deductions to pay for the purchase:
  - the minimum deduction (2.5 percent for PERS and TPAF) is equal to one-half of your normal pension contribution
  - the maximum payment period is 10 years
  - deductions include interest of 8.75 percent
3. Single partial payment of no less than \$250 at the time you authorize the purchase with the remainder paid through payroll deductions. A schedule of payments will be determined by the Division of Pensions and Benefits after receipt of the single partial payment.

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

# Purchase Worksheet

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

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

## Worksheet Example

You wish to buy 3 years and 6 months of eligible PERS temporary service.  
 You are 35 years and 6 months of age at the time of your request.  
 Your current and highest annual base salary is \$40,000.

### PURCHASE FACTOR:

35 years and 6 months = Age 36

Age 36 = .040 (from COST FACTOR chart)

### NUMBER OF YEARS TO BE PURCHASED:

3 years and 6 months = 3.5 years

$$\frac{\$40,000}{\text{BASE SALARY}} \times \frac{0.040}{\text{PURCHASE FACTOR}} = \frac{\$1,600}{\text{COST FOR ONE YEAR}}$$

$$\frac{\$1,600}{\text{COST FOR ONE YEAR}} \times \frac{3.5}{\text{NUMBER OF YEARS}} = \frac{\$5,600}{\text{LUMP-SUM PURCHASE COST}}$$

## Worksheet to Estimate Your Purchase Cost

**NOTE:** To calculate the cost of purchase for MILITARY, U.S. GOVERNMENT, and LOCAL RETIREMENT SYSTEM (PERS) service, double the Lump-sum Purchase Cost. (The law states that the employer shall not be liable for any costs of purchasing service; therefore, the employee must pay both the employee and employer share in these cases.)

$$\frac{\$}{\text{BASE SALARY}} \times \frac{\text{PURCHASE FACTOR}}{\text{PURCHASE FACTOR}} = \frac{\$}{\text{COST FOR ONE YEAR}}$$

$$\frac{\$}{\text{COST FOR ONE YEAR}} \times \frac{\text{NUMBER OF YEARS}}{\text{NUMBER OF YEARS}} = \frac{\$}{\text{LUMP-SUM PURCHASE COST}}$$

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$$\frac{\$}{\text{BASE SALARY}} \times \frac{\text{PURCHASE FACTOR}}{\text{PURCHASE FACTOR}} = \frac{\$}{\text{COST FOR ONE YEAR}}$$

$$\frac{\$}{\text{COST FOR ONE YEAR}} \times \frac{\text{NUMBER OF YEARS}}{\text{NUMBER OF YEARS}} = \frac{\$}{\text{LUMP-SUM PURCHASE COST}}$$

# Overview of Regular Supplemental Annuity Collective Trust (SACT)

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The Supplemental Annuity Collective Trust (SACT) — Regular program is a voluntary investment program that provides retirement income separate from and in addition to your basic pension benefit. Participants' contributions are conservatively invested in the stock market. This is considered a long-term investment program with the objective of providing participants additional retirement income. SACT — Regular is open to actively contributing members of any State of New Jersey-administered retirement system.

The SACT — Regular is a variable annuity program that is primarily invested in common stocks. There are two phases of the program: the pay-in phase and the payout phase. The pay-in phase covers your working years. Through payroll deductions, you regularly and systematically invest in SACT by purchasing units (shares) at current prices. The payout phase covers your retirement years. It provides the option of a Lump-sum settlement or one of five lifetime monthly annuity payment options.

Your contributions to this plan are “after tax contributions;” however, your accumulated earnings are deferred from federal taxes until you retire or withdraw from the state-administered retirement system. Upon enrollment, you may contribute between 1 and 10 percent of your base salary through payroll deductions. Contributions are in full dollar amounts. Base salary means the salary on which your pension contributions are calculated. You may also make lump-sum contributions the third month of any quarter as long as you do not contribute more than 10 percent of your salary in the calendar year. You will receive yearly statements telling you about your account. You may enroll, change, or suspend your contributions at the beginning of any calendar quarter. You cannot withdraw from the Trust unless you cease to be an active member of the basic retirement system due to retirement, death, or withdrawal.

A council consisting of the State Treasurer, the Commissioner of Insurance, and the Director of the Office of Management and Budget is responsible for the control and management of the Supplemental Annuity Collective Trust. The Division of Investment oversees the investment of the assets of the fund. All costs of the administration are borne by the State of New Jersey.

## **Procedures for Distribution upon Retirement**

If you qualify for retirement, the following regulations apply to SACT participants:

- If you retire, you must file for distribution of your SACT account. You are entitled to either a lump-sum settlement of the value of your account or one of five life annuity options.
- Your account will be valued at the end of the month in which you retire. Therefore, if your retirement date is July 1st, your SACT account will be valued as of July 31st. After your valuation date, your number of units (shares) is fixed but your account still participates in the plan's earnings or losses.
- Accumulated earnings in SACT — Regular accounts may be eligible for rollover treatment within 60 days of the check distribution date.
- Distributions may be eligible for rollover or income averaging.
- The Supplemental Annuity Collective Trust is required to withhold federal tax of 20 percent upon distributions eligible for rollover to qualified retirement plans when the distribution is made directly to the participant.

## PROCEDURES TO FOLLOW

1. File the *Application for Retirement Allowance* and submit it to the Division of Pensions and Benefits. Indicate SACT on the top of your retirement application.
2. Contact the SACT office in writing or telephone (609) 633-2031 for related information.
3. SACT will forward detailed retirement information, distribution options, and required forms.
4. Return your completed, notarized forms to SACT.

## SACT - EXPLANATION OF SETTLEMENT OPTIONS

At retirement you may elect:

**Monthly Variable Life Annuity** - (Note: This election has no option for a beneficiary.) Payment each month for the remainder of your life unless, prior to retirement, you file a written request for one of the following alternative methods of payment.

**Lump-Sum Payment** - For the value of your account at the close of the month of your retirement.

**Five Year Certain and Life Thereafter** - Provides you with a slightly lesser monthly annuity benefit than the Monthly Variable Life Annuity. Your annuity is paid for as long as you live. However, if you die within the first five years of retirement, your named beneficiary will be paid the monthly annuity until the end of the five year period.

**Ten Year Certain and Life Thereafter** - Provides you with a slightly lesser monthly annuity benefit than the Monthly Variable Life Annuity. Your annuity is paid for as long as you live. However, if you die within the first 10 years of retirement, your named beneficiary will be paid the monthly annuity until the end of the 10 year period.

**Beneficiary to Receive an Equal Benefit** - Provides you with a slightly lesser monthly amount than the Monthly Variable Life Annuity. Your annuity is paid for as long as you live. However, upon your death, your named beneficiary will receive the same monthly annuity for life. Under this option, you may not change your beneficiary after retirement.

**Beneficiary to Receive a One-Half Benefit** - Provides you with a slightly lesser monthly amount than the Monthly Variable Life Annuity. Your annuity is paid for as long as you live. However, upon your death, your named beneficiary will receive one-half of your monthly annuity for life. Under this option, you may not change your beneficiary after retirement.

# Taxation of Retirement Benefits

## How are my pension benefits taxed for federal income tax purposes?

Pension 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. Therefore, if you began contributing to the pension plan prior to January 1, 1987, or if you purchased any pension membership since then, a portion of your total contributions were 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 retire on or after November 1, 1996**, the following tables are used to determine your monthly nontaxable amount:

**TABLE A — BENEFITS PAYABLE TO RETIREE ONLY\***

<u>Age of Retiree</u>	<u>Number of Payments</u>
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.*

For example, using Table A, if a PERS or TPAF member retires at age 62 and chooses either the maximum allowance or Option 1 (designating no monthly pension to a surviving beneficiary), and his/her previously-taxed contributions equaled \$12,000, that amount would be divided by 260. This produces a monthly tax-free amount of \$46.15. The balance of the monthly pension is subject to federal income tax.

**TABLE B — BENEFITS PAYABLE TO RETIREE AND SURVIVOR**

<u>Combined Age of Retiree &amp; Survivor</u>	<u>Number of Payments</u>
110 or less	410
111 - 120	360
121 - 130	310
131 - 140	260
141 or more	210

**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 W4-P. 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**

Each new retiree 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 your NJ Gross Income Tax Return Form 1040 booklet to determine how your pension is taxed.

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 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 to have this withheld or how much to have withheld, you can contact the New Jersey Division of Taxation at 1-800-323-4400.

### **Changing your withholding amount**

To change your withholding you must submit a new form, which can be obtained by mail or fax. Call the Division of Pensions and Benefits' - Benefit Information Library 24 hours a day, seven days a week, at (609) 777-1931 (from a touch-tone telephone). After the introduction, enter selection number 122. At the end of the message, select the mail or fax option. If you request to have the form(s) mailed, leave your name, address, Social Security number, and indicate if you need a federal or State withholding form. If you request to have the forms faxed, enter the 10-digit area code and telephone number of your fax machine, and the forms will be faxed to you shortly thereafter. Both federal and State W-4P forms are available on the Division of Pensions and Benefits Internet site, [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions). You may print out the forms, complete them, and then return them by regular mail.

If you are already having 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, and 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 1099-R because the Medicare reimbursement is not taxable. The Medicare premium reimbursement is subtracted from your total gross income to arrive at 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 less than your next 11 checks.

## Is my disability pension taxable?

As of January 1, 1984, the exclusion from federal tax liability for disability pensions was repealed. Your disability pension is taxable to the same extent as other pensions. Any questions should be referred to the IRS at 1-800-829-1040.

**THE DIVISION OF PENSIONS AND BENEFITS  
CANNOT GIVE TAX ADVICE**

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**For information regarding federal taxes,  
consult the IRS (1-800-TAX-1040)  
or on the Internet at [www.irs.ustreas.gov](http://www.irs.ustreas.gov)**

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**For information regarding New Jersey State tax  
contact the NJ Division of Taxation  
(from New Jersey) 1-800-323-4400  
or on the Internet at [www.state.nj.us/treasury/taxation](http://www.state.nj.us/treasury/taxation)**

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**OR CONSULT YOUR TAX ADVISOR FOR ASSISTANCE**

# **PERS Employment After Retirement**

***The following refers to members of the PERS***

***— If you are a member of the TPAF, please turn to page 34. —***

Working for private industry, the federal government, or a state other than New Jersey will not affect your PERS retirement benefits. Most public employees will not resume public employment in New Jersey after retirement. For those who do, there are several areas of concern.

## **Returning to a position under the PERS**

In addition to the State agencies, approximately 1700 local government employers throughout the State participate in the PERS. You should expect to be enrolled in the PERS if you accept employment with any of these employers if:

- you are employed on a regular basis in a position covered by Social Security; and
- your annual salary is expected to be more than \$10,000; and
- you are not required to be a member of any other New Jersey State or local government retirement system on the basis of the same position.

You **cannot** join PERS if:

- you are a provisional or temporary employee with less than 12 months of continuous service; or
- the annual salary for the position is less than \$10,000; or
- the position is not covered by Social Security; or
- you are a seasonal employee.

## **Positions covered by another State of New Jersey-administered retirement system**

If you return to work in a position covered by a State of New Jersey-administered retirement system other than the PERS, your retirement allowance continues, and you can receive salary but cannot become a member of that system.

## **Disability retirees restored to active service in the PERS**

If you are a disability retiree and return to active service, you enroll again in the retirement system. Deductions for pension are resumed and you are treated as active in all respects. Upon subsequent retirement, you will receive a benefit based on total service.

## **Disability retirees' earnings after retirement**

If you retire on a disability, your annual retirement allowance may be adjusted if you have earnings after retirement. The law states that the pension of such a retiree shall be reduced to an amount, which when added to the amount being earned by the retiree, does not exceed the amount of salary currently attributable to the former position of the retiree.

## **State Health Benefits coverage**

If you return to public employment in New Jersey and your retirement is canceled, your eligibility to continue coverage under the State Health Benefits Program may be affected. Contact the Division of Pensions and Benefits for information.

## Social Security benefits

There is an earnings test for most people receiving Social Security benefits. Check with the Social Security Administration for information on earnings limits before accepting employment.

## Employment after retirement - PERS

If you accept regular full- or part-time employment in a position covered by the PERS, you must reenroll in the PERS as a condition of your employment. Before returning to employment under the PERS, you should consider the following:

- Your retirement allowance will be cancelled for the duration of your employment.
- You will become an active contributing member again. (If over age 60, you must prove insurability for life insurance coverage.)
- **If you die while in the second membership, no benefits from the previous membership or retirement are payable.** Any death benefits due would be from your active membership.
- If you return to employment under the PERS and are eligible for membership and 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.
- When you retire again, the first allowance is restored and a second allowance is calculated based on your second membership. These two calculations are paid in the same retirement check.
- If you are elected to public office, enrollment in the PERS is optional. If you decide not to enroll in the PERS, you are entitled to collect your PERS retirement allowance while you are receiving salary as an elected official.
- The Division of Pensions and Benefits suggests that **any PERS member contemplating a return to employment** call the Benefit Information Library at (609) 777-1931 and enter information selection number 101 for additional information on employment after retirement.

## Self-employment issues

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

As a rule, the Division of Pensions and Benefits accepts the tests and standards used by the Internal Revenue Service and the NJ Department of Labor, Division of Employment Security Revenue, to determine the employer-employee relationship. Since **penalties** levied by the IRS can be severe, both the worker and the employer should give careful consideration **before** classifying a worker as an independent contractor. In addition to IRS penalties and any penalties imposed by the NJ Department of Labor in the event that an employee has been incorrectly classified as an independent contractor, **there are penalties relating to the PERS.** The employer will be assessed delinquent enrollment charges for failing to enroll an employee in the retirement system in a timely fashion. The employee will be required to refund **all** retirement benefits received after the date enroll-

ment should have occurred. The employee must also pay any retroactive pension contributions due on the new PERS account.

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

- degree of control
- right to discharge
- right to delegate work
- right to hire and fire assistants
- payment by the hour
- furnishing of training
- skill
- duration of relationship
- control over hours of work
- independent trade
- furnishing tools
- place of work
- profit and loss
- intent of the parties
- principal in business
- sequence of work
- reports required
- same work as others classified as employees
- integration
- industry custom

While none of the factors are controlling and response to all must be weighed together, under the common law definition of "employment," **the most important factor for consideration is whether the employer has the right to instruct and control the employee in respect to the details of the work that is performed by the employee.**

For additional clarification on the independent contractor or consultant issue, contact the NJ Department of Labor, Division of Employment Security Revenue at (609) 292-2321.

### **Warning**

**If your retirement allowance is canceled as a result of a return to PERS-covered employment, no retirement or insurance benefits associated with your former retirement will be paid to your beneficiary should you die during your second membership.** You are treated as an active member in all respects. If you are over the age of 60 when you enroll in the PERS you will be required to prove insurability through physical examination before you will be covered by the group life insurance benefits of active members.

# Returning to a Position under the TPAF

Working for private industry, the federal government, or a state other than New Jersey will not affect your TPAF retirement benefits. Most public employees will not resume public employment in New Jersey after retirement. For those who do, there are several areas of concern.

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

- you are a certified employee appointed as a member of a regular teaching or professional staff employed on a regular basis (contract employee) in a position covered by Social Security; and
- if you accept regular full- or part-time employment in a position covered by the TPAF, you must reenroll in the retirement system. Your retirement allowance will be canceled for the duration of your employment. The procedure for enrollment in the TPAF after retirement is covered on page 36.

You will not be required to enroll in the TPAF if you are employed:

- as an on-call substitute;
- as a permanent or long-term substitute;
- as a temporary employee; or
- as an interim replacement for a regular employee on approved leave of absence (provided the regular employee is not on terminal leave).

Generally, non-certified professional personnel are not eligible for TPAF membership. Neither are temporary, seasonal, or substitute teachers employed on a temporary basis. All other teachers whose positions require certification are required to participate in the TPAF even if paid on an hourly or per diem basis.

Your prospective employer should be able to tell you if the employment you are considering is covered by the TPAF.

## **Positions covered by another New Jersey State-administered retirement system**

If you return to work in a position covered by a State of New Jersey-administered retirement system other than the TPAF, your retirement allowance continues and you can receive salary but cannot become a member of that system.

## **Disability retirees restored to active service in TPAF**

If you retired on a disability, when you return to active service, you must enroll again in the retirement system. Deductions for pension are resumed and you are treated as active in all respects. Upon subsequent retirement, you will receive a benefit based on total service.

## **Disability retirees' earnings after retirement**

If you retired on a disability, your annual retirement allowance may be adjusted if you have earnings after retirement. The law states that the pension of such a retiree shall be reduced to an amount, which when added to the amount being earned by the retiree, does not exceed the amount of salary currently attributable to the former position of the retiree.

## **State Health Benefits coverage**

If you return to public employment in New Jersey and your retirement is canceled, your eligibility to continue coverage under the State Health Benefits Program may be affected. Contact the Division of Pensions and Benefits for information.

## Social Security benefits

There is an earnings test for most people receiving Social Security benefits. Check with the Social Security Administration for information on earnings limits before accepting employment.

## Employment after retirement - TPAF

If you are collecting retirement benefits from the TPAF and you accept employment in a position covered by the TPAF, the following steps should occur:

- Your employer must submit a TPAF enrollment application on your behalf to the Division of Pensions and Benefits.
- Your application will be referred to the Board of Trustees of the retirement system to cancel your retirement allowance as of the date you are required to enroll in the TPAF. The date of enrollment is not negotiable. The Board Secretary will advise you of the action taken by the Board.
- Once the Board of Trustees cancels your retirement allowance, your enrollment application will be processed and a certification to deduct pension contributions will be sent to your employer.
- You will be billed for any retirement payments you received after the effective date of your new TPAF enrollment. Because of the sequence of events, most retirees are enrolled in the TPAF on a retroactive basis. You should therefore anticipate that you will be required to refund one or more pension checks to the retirement system.
- You must file an application for retirement when you retire for the second time. Your former retirement allowance and any option selection will be restored along with any appropriate cost-of-living adjustment due based upon your original date of retirement. In addition, you will receive a retirement allowance based upon your new period of service. Service credit from both retirements may be combined to satisfy the 25 years of service requirement for employer paid State Health Benefits Program coverage.

**Note:** Any additional allowance due as a result of the second period of service will be determined under the Service Retirement formula; a reduction applies if the retiree is under age 55.

### **Warning**

**If your retirement allowance is canceled as a result of a return to TPAF-covered employment, no retirement or insurance benefits associated with your former retirement will be paid to your beneficiary should you die during your second membership.** You are treated as an active member in all respects. If you are over the age of 60 when you enroll in the TPAF, you will be required to prove insurability through physical examination before you will be covered by the group life insurance benefits of active members.

***Retiring soon or just doing long-term planning  
find out about retirement issues and calculate how much you may need . . .***

**National Council on Teacher Retirement**

*NCTR's new web page — LIFEPLAN — is now on the Internet.*

*Log onto: **www.nctr.org***

Developed to assist public employees prepare for a more secure future, **LIFEPLAN** means **L**EARNING AND **I**NVESTING **F**OR AN **E**NERGETIC AND **P**RODUCTIVE **L**IFE WHILE **A**CCUMULATING A **N**EST EGG. The primary goal of NCTR's Lifeplan is to encourage all public employees to save more money for their retirement through supplemental tax-sheltered annuity plans, such as 403(b) and 457 plans approved by the Internal Revenue Service. Information on planning for retirement, establishing credit, buying a home, and estate planning are just a few of the financial planning issues addressed. Founded in 1924, the NCTR is a national association of 73 state and local retirement systems. The New Jersey Division of Pensions and Benefits is a member of the NCTR and highly encourages all public employees to use this site as they plan for the future.

# NOTES

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# Seminar Evaluation

Date of Seminar: \_\_\_\_\_ Seminar Location: \_\_\_\_\_

Presenter's Name: \_\_\_\_\_

We want to make our future seminars as meaningful and informative as possible, and we would appreciate your candid evaluation of this seminar in response to the questions below. Please return the completed evaluation to the presenter before you leave.

Generally, how do you rate the seminar, retirement planning booklet, and any handouts used as they pertain to the following:

<b>Seminar (Please circle the appropriate number in each category)</b>					
	<b>Excellent</b>	<b>Very Good</b>	<b>Good</b>	<b>Fair</b>	<b>Poor</b>
<b>Content</b>	1	2	3	4	5
<b>Presentation</b>	1	2	3	4	5
<b>Response to Questions</b>	1	2	3	4	5
<b>Clarity</b>	1	2	3	4	5
<b>Retirement Planning Booklet</b>	1	2	3	4	5
<b>Additional Handouts</b>	1	2	3	4	5

**Please use the following space for your personal comments:**

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