

**NEW JERSEY**  
**DIVISION OF PENSIONS AND BENEFITS**



**RETIREMENT FACTS**

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

# ***Planning for Your Retirement***

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

**THIS PACKET INCLUDES:**

Fact Sheet #4, *Applying for Retirement*  
Fact Sheet #15, *Disability Retirement Benefits*  
Fact Sheet #6, *Your Retirement Checklist*  
Fact Sheet #5, *Pension Options*  
Group Life Insurance — *An Overview*  
Fact Sheet #13, *Conversion of Group Life Insurance*  
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Fact Sheet #18, *Cost-of-Living Adjustments*  
Fact Sheet #12, *Taxation of Retirement Benefits*  
Fact Sheet #1, *Purchasing Service Credit*  
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Fact Sheet #73, *Retiree Dental Expense Plan*  
Can I Afford to Retire? Worksheet  
Request for a Retirement Estimate Form



**New Jersey Division of Pensions and Benefits**

PO Box 295 • Trenton, New Jersey 08625-0295

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

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

# MEMBER BENEFITS ONLINE SYSTEM (MBOS)

## LEARN MORE ABOUT YOUR PENSION BENEFITS!

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

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

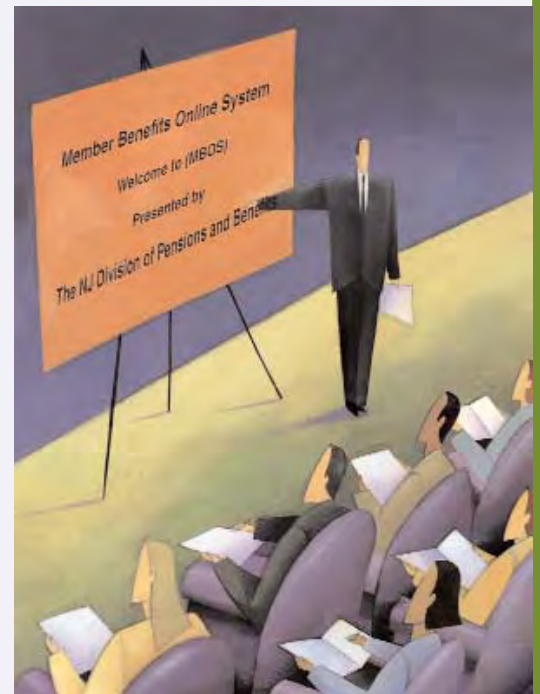
### Available Online Resources Include

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

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

**SEE THE REGISTRATION INSTRUCTIONS ON THE BACK OF THIS FLIER.**

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



# HOW TO ACCESS YOUR PENSION ACCOUNT ONLINE THROUGH MBOS

## *REGISTRATION FOR FIRST TIME USERS*

BECAUSE REGISTRATION REQUIRES SEVERAL STEPS,  
PLEASE READ AND FOLLOW THESE INSTRUCTIONS CAREFULLY!

### REGISTRATION FOR MBOS IS FREE

#### STEP ONE

Register for a MyNewJersey account at: [www.state.nj.us](http://www.state.nj.us)

**NOTE:** *If you already have a MyNewJersey account, use your existing account.*

1. Click on the “Register” button and complete the registration information.  
*(Choose your own Logon ID and Password)*

2. Create a Logon ID;

Logon ID you chose: \_\_\_\_\_

3. Create a Password;

Password you chose: \_\_\_\_\_

*Remember: Never share your Logon ID or Password with others.*

4. This will open your personal MyNewJersey online account.

#### STEP TWO

Have an **Authorization Code** e-mailed to you by registering for **MBOS** at:  
[www.state.nj.us/treasury/pensions/mbosregister.htm](http://www.state.nj.us/treasury/pensions/mbosregister.htm)

1. Click the “Begin **MBOS** Registration” button at the bottom of the Web page and complete the online **MBOS** registration form.

2. When registering, you will need your pension Member ID number.

*Your Member ID number can often be found on your payroll statement or obtained by calling the Division's Office of Client Services at (609) 292-7524.*

3. After you complete the **MBOS** registration you will receive an e-mail with the *Authorization Code*.

#### STEP THREE

1. Logon to your MyNewJersey account and then click “Enter Authorization Code”

2. On the page that opens, enter your **MBOS** *Authorization Code* and click the “Finished” button.

3. Delete the e-mail with your *Authorization Code*: **it can only be used once.**

#### STEP FOUR

Log back onto your MyNewJersey account and you will see the Pension and Benefits links along the left side.

Click the “logon” link to go to **MBOS** and your account information.

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

*MBOS registration and access is for the exclusive use of pension account members and benefit recipients.  
Unauthorized access is subject to prosecution to the fullest extent of the law.*

# Contacting the Division of Pensions and Benefits

## Mailing Address

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

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

## Counseling Services

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

The Division of Pensions and Benefits offers one-on-one counseling services to members of the retirement systems and other benefit programs. No appointments are taken. Counselors are available Monday through Friday (except State holidays) from 7:40 a.m. to 4:00 p.m.

## Telephone Numbers

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

General information from a pension counselor. Counselors are available Monday through Friday (except State holidays) from 7:45 a.m. to 4:15 p.m.

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

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

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

Hearing impaired members can access telephone counselors Monday through Friday (except State holidays) from 7:45 a.m. to 4:15 p.m.

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

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

## Additional Telephone Numbers

Internal Revenue Service .....	1-800-TAX-1040 (1-800-829-1040)
Medicare Part B (Pennsylvania Blue Shield) .....	1-800-462-9306
New Jersey Division on Aging .....	1-800-792-8820
New Jersey Division of Taxation .....	1-800-323-4400
New Jersey State Employees Deferred Compensation Plan .....	(609) 292-3605
Senior Citizens Information and Referral .....	1-800-792-8820
Social Security Administration .....	1-800-SSA-1213 (1-800-772-1213)
Supplemental Annuity Collective Trust (SACT) .....	(609) 633-2031
Veterans Administration .....	1-800-827-1000
New Jersey Bureau of Securities .....	(973) 504-3600

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

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

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

## Directions to the Division of Pensions and Benefits

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

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

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

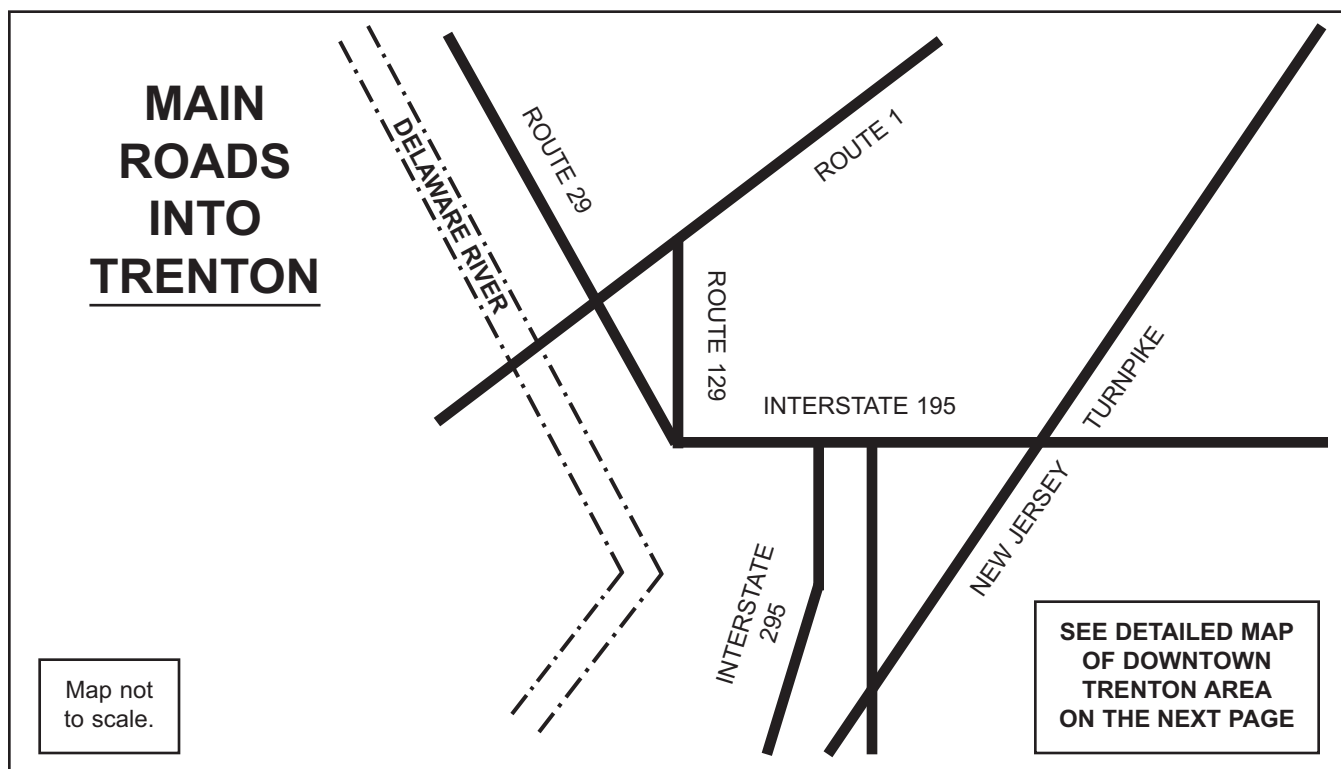
**When leaving the garage,** you will be facing the side of One State Street Square. Turn left and walk to the front entrance of the building (on West State Street). Check in with the guard in the main lobby where you will be directed to the Office of Client Services.

### From Northeast New Jersey via the NJ Turnpike

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

### From Northeast New Jersey via Route 1

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



### From Northwest New Jersey

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

### From Southern New Jersey

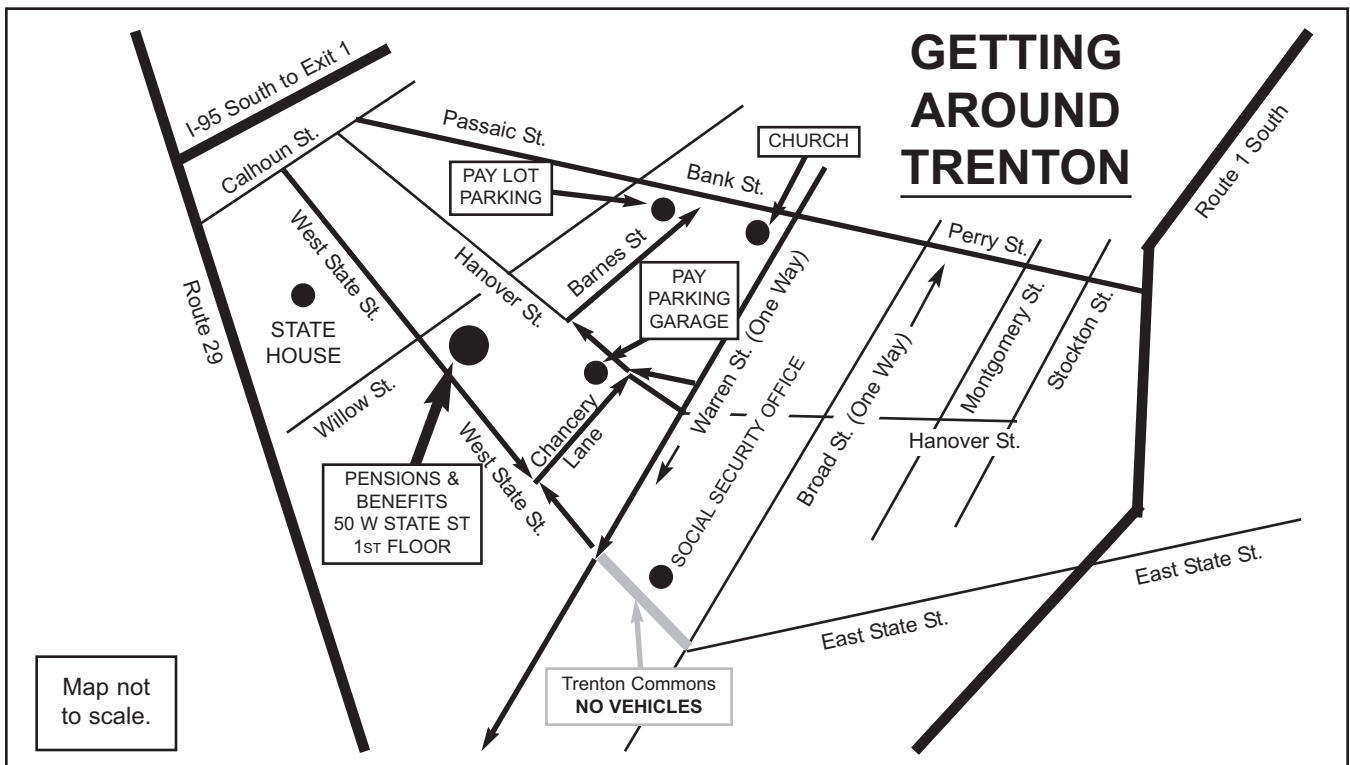
**If using the NJ Turnpike**, take **Exit 7A** and follow the directions from Northeast New Jersey via the NJ Turnpike (on previous page).

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

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

### From the New Jersey Shore Areas

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



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# Applying for Retirement

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

## BEFORE YOU RETIRE

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

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

To hear an estimate of retirement benefits over the phone, you may call the Division of Pensions and Benefit's Automated Information System at (609) 777-1777. You may also submit a *Request for Retirement Estimate* form which is available from your benefits administrator, the Division's Web site (select "Forms and Publications"), or by calling (609) 292-7524. The form must be forwarded to the Division for processing.

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

## SUBMITTING YOUR APPLICATION

**Applying for Retirement** Registered MBOS users can apply for retirement online at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions) (select "Online Member Services - MBOS") This is an easy, secure, and accurate way to apply for retirement. If you do not have Internet access you can obtain an *Application for Retirement Allowance* from your benefits administrator or the Division of Pensions and Benefits.

Whether you apply for retirement online through MBOS or by written application be sure to carefully

read the instructions and the available fact sheets about retirement prior to submission. It is your responsibility to file for retirement. Your application must be received by the Division of Pensions and Benefits before your retirement date. All retirements are effective the first of a month. ***Under no circumstances can a retirement become effective prior to the date the application is received by the Division of Pensions and Benefits.*** Four months advance filing is recommended. Processing time varies and cannot begin until we have received all the necessary information from **both** you and your employer.

If you have not furnished proof of your age to the Division, you must submit a photocopy of your proof of age to the Division. Proof of age for your beneficiary is required under Options A, B, C, D, 2, 3, and 4. For an explanation of your options at retirement see Fact Sheet #5, *Pension Options*.

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

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

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

## TYPES OF RETIREMENT

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

### Service Retirement

This is the type of retirement for which most members qualify. The retirement age is 60 or older and no minimum amount of membership credit is required. The benefit is calculated using the following formula:

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



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

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

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

**'Final Average Salary'** means the average salary for the 36 months (30 months for employees with 10 month contracts) immediately preceding your retirement. If your last three years are not your highest years of salary, your allowance will be calculated using your three highest fiscal years (July - June) of salary. If this is the case, you must indicate it on your retirement application.

#### **Early Retirement**

Available to members who have 25 years or more of membership credit before reaching age 60. If you were hired before July 1, 2007, the benefit is calculated using the Service Retirement formula shown above. If you retire before age 55, your allowance is permanently reduced 1/4 of 1 percent for each month under that age (3 percent per year). For example, if you retire at age 54, you will receive 97 percent of your full retirement allowance. If you retire between the ages of 55 and 60, there is no reduction.

For those hired after July 1, 2007 who retire after 25 years of service credit between the ages of 55 and 60 have an allowance reduction of 1percent per year (1/2 of 1percent per month) for each year under the age of 60. For those under the age of 55 a 3percent reduction for each year under the age of 55 will be made.

#### **Deferred Retirement**

Available to members who have at least ten years of membership credit (but less than 25 years) and are not yet 60 years of age when they terminate employment. If a member is removed from employment for cause on charges of misconduct or delinquency, the member would be ineligible for deferred retirement benefits.

You must file an application to receive a Deferred Retirement before the retirement can become effective and payments can begin. After filing and upon reaching

age 60, you will begin to receive a retirement allowance based on the Service Retirement formula (shown on page one). If you do not file before you attain age 60, your retirement will be effective on the first on the month after the Division receives your properly completed retirement application.

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

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

#### **Veteran Retirement**

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

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

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

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

Qualified veterans must be in active employment until the effective date of retirement or must have met the requirements for a Veteran Retirement as of their termination date.

Veterans may retire after 25 years of membership credit at age 55 or older or after 20 years of membership credit at age 60 or older. The annual benefit is equal to

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54.5 percent of the salary upon which pension contributions were based during the last year of employment or highest 12 consecutive months of base salary.

Veterans with 35 or more years of membership credit at age 55 or older are entitled to an annual allowance based on the member's highest 12 consecutive months of base salary, as shown in the following formula:

$$\frac{\text{Years of Service}}{55} \times \text{Highest 12 Consecutive Months of Salary} = \text{Annual Retirement Allowance}$$

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

### DISABILITY RETIREMENT

Disability retirement benefits are also available. See Fact Sheet #15, *Disability Retirement*, for additional information.

### SURVIVOR BENEFITS

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

### OTHER INFORMATION

#### Group Life Insurance

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

When a retired member dies, the named beneficiaries are entitled to the payment of group life insurance benefits (if eligible).

#### **Retired Group Life Insurance Amounts**

At retirement, you are asked on your application to name a beneficiary(ies) for pension benefits and separately name beneficiaries for group life insurance benefits. Some restrictions apply to who may be named for pension benefits, however, you may name any organization, your estate, or trust as beneficiary for group life insurance benefits. You may also change your group life insurance designation at any time during your retirement by filing a properly completed *Designation of Beneficiary* form. The *Designation of*

*Beneficiary* form can be obtained over the Internet at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), by contacting the Division of Pensions and Benefits, or from your employer.

<b>PERS INSURANCE COVERAGE WHILE RETIRED</b>		
<b>Type of Retirement</b>	<b>Death before age 60</b>	<b>Death after age 60</b>
Service & Veteran	Does not apply	3/16 x salary
Early	3/16 x salary	3/16 x salary
Deferred	None	3/16 x salary
Disability	1½ x salary	3/16 x salary

**NOTE:** The fractions shown in the boxes above and below apply to the total base salary upon which pension contributions were based during the year preceding retirement or (for TPAF members only) the highest contractual year.

<b>TPAF INSURANCE COVERAGE WHILE RETIRED</b>				
<b>Type of Retirement</b>	<b>Members with noncontributory insurance only</b>		<b>Members with both non- &amp; contributory insurance</b>	
	<b>Death before age 60</b>	<b>Death after age 60</b>	<b>Death before age 60</b>	<b>Death after age 60</b>
Service	Does not apply	3/16 x salary	Does not apply	7/16 x salary
Early & Veteran	3/16 x salary	3/16 x salary	7/16 x salary	7/16 x salary
Deferred	None	3/16 x salary	None	7/16 x salary
Disability	1½ x salary	3/16 x salary	1¾ x salary	7/16 x salary

Registered MBOS users can review or change their current beneficiary designations online. MBOS is a set of Internet based applications that allow registered members access to information about their pension. To register go to: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions) (select "Online Member Services - MBOS").

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

**Beneficiary designations cannot be accepted nor confirmed over the telephone or by e-mail.** The Division will only accept a written request from the member.

### **Conversion**

For most members, group life insurance is reduced at retirement. You have 31 days after termination of employment to convert the amount of insurance that was reduced to private individual insurance coverage. If you wish to supplement this coverage with either a conversion policy from the Prudential Life Insurance Company, or a policy from another insurance carrier, it is best to begin exploring your options at least four months prior to your retirement. To estimate the cost of conversion to a private policy with the Prudential Life Insurance Company, please see the conversion calculator at: [www.state.nj.us/treasury/pensions/conversion-calc.htm](http://www.state.nj.us/treasury/pensions/conversion-calc.htm)

For additional information about the conversion of group life insurance, see Fact Sheet #13, *Conversion of Group Life Insurance*.

### **RETURNING TO PUBLIC EMPLOYMENT**

Returning to public employment in New Jersey after your retirement may jeopardize your retirement benefits. If you return to employment in a position covered by the same retirement system from which you retired (and for PERS members, if PERS eligible employment pays more than \$15,000 per year), you should expect to cancel your retirement and reenroll in the retirement system.

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

### **HEALTH BENEFITS**

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

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

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

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

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

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

### **COST-OF-LIVING ADJUSTMENTS**

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

### **FACT SHEETS ONLINE**

The Fact Sheets mentioned in this publication can be viewed on the Division's Web site at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions)

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This fact sheet has been produced and distributed by:

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

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

This fact sheet is a summary and not intended to provide total information.

Although every attempt at accuracy is made, it cannot be guaranteed.

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# Disability Retirement Benefits

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

## ORDINARY DISABILITY

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

- have an active pension account (active membership ceases after discontinuance of pension contributions for more than two consecutive years<sup>1</sup> or withdrawal of member contributions from the retirement system); and
- have 10 or more years of New Jersey service credit in the pension system (the purchase of out-of-state, military, and U.S. government civilian service cannot be used to attain the 10 years); and
- be considered totally and permanently disabled (you must prove that you are physically or mentally incapacitated from performing your normal or assigned job duties with no possibility for significant improvement).

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

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

"Final Average Salary" means your average salary for the 36 months (30 months for members paid on that basis) immediately preceding your retirement on which pension contributions were taken. If your last 36 months are not your highest years of salary, your allowance may be calculated using your three highest fiscal years (July 1 to June 30) of salary. If this is

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

the case, please indicate on your retirement application that you had higher fiscal years of salary.

Calculation Example: In the 36 months prior to retirement, a member's average salary was \$45,000. After approval of Ordinary Disability retirement benefits, the member would be entitled to an annual benefit of \$19,620 ( $\$45,000 \times .436$ ) under the Maximum Option (see Fact Sheet #5, *Pension Options*, for an explanation on how to provide for survivor benefits).

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

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

## ACCIDENTAL DISABILITY

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

- have an active pension account (active membership ceases after discontinuance of pension contributions for more than two consecutive years<sup>1</sup>);
- be an active member of the PERS or TPAF on the date of the traumatic event (see definition on page 2);
- be considered totally and permanently disabled (you must prove that you are physically or mentally incapacitated from performing your normal or assigned job duties with no possibility for significant improvement) as a direct result of a traumatic event that happened during and as a direct result of carrying out your regular or assigned job duties;
- file an application within five years of the date of the traumatic event; and

- be examined by physicians selected by the retirement system at no cost to you. The examination will be scheduled by the Division of Pensions and Benefits.

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

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

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

The following would not be considered traumatic events:

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

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

Calculation Example: On the date of the traumatic event that caused the member's disability, a member's annual salary was \$45,000. After approval of Accidental Disability retirement benefits, the member would be entitled to an annual benefit of \$32,715 ( $\$45,000 \times .727$ ) under the Maximum Option (see Fact Sheet #5, *Pension Options*, for an explanation on how to provide for survivor benefits).

If you are receiving periodic Workers' Compensation

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

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

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

## APPLYING FOR DISABILITY RETIREMENT BENEFITS

The *Application for Disability Retirement* can be obtained:

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

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

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

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

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

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

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

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

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

## OTHER INFORMATION

### Group Life Insurance

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

#### ***PERS Members***

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

#### ***TPAF Members***

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

#### ***Conversion***

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

#### **Employment after Retirement**

Since Ordinary and Accidental Disability benefits are considered retirement benefits, you no longer accumulate pension membership credit in the retirement system after approval by the Board of Trustees. Normally, all PERS and TPAF disability retirees are subject to an annual earnings test. If your pension, when added to the earnings from employment, exceeds what your former position currently pays, your pension will be reduced dollar for dollar by the excess earnings over the current salary of your former position. Each year the Division of Pensions and Benefits may request copies of your previous year's federal tax return and *W-2* forms.

If you return to employment in a position covered by the same retirement system from which you retired (and if the PERS position pays more than \$1,500 per year or the TPAF position pays more than \$500 per year), you should expect to cancel your retirement and re-enroll in the retirement system. Contact the Division of Pensions and Benefits and request Fact Sheet #21, *Employment After Retirement (PERS)* or #28, *Employment After Retirement (TPAF)* for the

procedures to follow when returning to public employment in New Jersey.

### **Health Benefits**

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

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

### **Cost-of-Living Adjustments**

The Pension Adjustment Program provides cost-of-living adjustments (COLA) to you and your eligible survivors if you are receiving a monthly retirement allowance from one of the state-administered retire-

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

### **Fact Sheets and Forms**

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

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

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

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

This fact sheet is a summary and not intended to provide total information.

Although every attempt at accuracy is made, it cannot be guaranteed.

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# Your Retirement Checklist

All Funds

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

## 6-8 MONTHS BEFORE RETIREMENT

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

To hear an estimate of retirement benefits over the phone, you may call the Division of Pensions and Benefit's Automated Information System at (609) 777-1777. You may also submit a *Request for Retirement Estimate* form which is available from your benefits administrator, the Division's Web site (select "Forms and Publications"), or by calling (609) 292-7524. The form must be forwarded to the Division for processing.

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

- Consider attending a pre-retirement seminar** conducted by the Division of Pensions and Benefits. You may register online for a seminar using the Division's Web site at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions) (select "Seminars and Workshops"). A general description about the seminars, and a complete list of upcoming dates and locations are available. If you do not have Internet access, check with your benefits administrator

or training coordinator, or call the Division's Benefits Education Office at (609) 777-2111.

## 4-6 MONTHS BEFORE RETIREMENT

- Apply for Retirement.** Registered MBOS users can apply for retirement online at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions) (select "Online Member Services – MBOS") This is an easy, secure, and accurate way to apply for retirement. If you do not have Internet access you can obtain an *Application for Retirement Allowance* from your benefits administrator or the Division of Pensions and Benefits.

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

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

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

For Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) only — **if you are choosing**



options A, B, C, D, 2, 3, or 4, you must also submit proof of your beneficiary's birth date (see above paragraph for acceptable forms of proof). Please include your (the retiree's) name, anticipated retirement date, daytime telephone number, and pension membership number on the photocopy of your beneficiary's proof of age and attach it to your retirement application or mail it to the Division's Retirement Bureau (see above paragraph for address).

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

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

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

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

- If you have applied for a purchase of additional service credit in the past few months, and are not submitting an online retirement application through MBOS, please write "Purchase Pending" across the top of your *Application for Retirement Allowance* prior to sending it to the Division.

- The amount of your **life insurance** coverage through the retirement system decreases at retirement or terminates if you have less than 10 years of service credit. You may **convert** the dollar difference between the coverage you had before retirement and the coverage you

will have after retirement to a non-group life insurance policy by applying to a **Prudential Insurance Company agent within 31 days of your termination of employment**. No physical examination is required to prove insurability. The cost of the coverage will be at the standard rate for someone your age. For further information about conversion, you can contact Prudential at 1-800-524-0542 or through any of its local offices or if you live in New Jersey by calling 1-800-262-1112. You should contact other insurance carriers and compare the available policies and costs before you decide to purchase the conversion policy.

- Ask your employer to submit a **Certification of Service and Final Salary** to the Division of Pensions and Benefits.
- Contact the **NJ State Employees Deferred Compensation Plan** office at 1-866-NJSEDCP or the **Supplemental Annuity Collective Trust (SACT)** office at (609) 633-2031 if you participate in those plans.
- You will receive a letter from the Division of Pensions and Benefits acknowledging receipt of your retirement application. Also included are answers to some frequently asked retirement questions.

#### APPROXIMATELY 3 MONTHS BEFORE RETIREMENT

- You will receive a letter offering you enrollment in the New Jersey State Health Benefits Program (SHBP) if you are:
  - currently covered by the SHBP.
  - a member of the TPAF with 25 years or more of service credit in the pension fund or retiring on a disability retirement.
  - a PERS or Alternate Benefit Program member retiring from a school board of education or county college with 25 or more years of service credit in the pension fund or retiring on a disability retirement.
  - a Medicare eligible member of the TPAF or the PERS who works for a Board of Education.

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- a police officer or firefighter retiring with 25 years or more of service credit in the pension fund or retiring on a disability retirement whose employer does not provide any payment or compensation toward the cost of health benefits for its retirees.

If you will not be eligible for post-retirement medical coverage through the SHBP, discuss with your employer any coverage they may provide you.

If you are 65 or older, contact the local Social Security Administration office for full Medicare enrollment. You must be covered by both Part A and Part B of Medicare to be eligible to enroll in the SHBP in retirement.

Most Medicare eligible retirees and/or their Medicare eligible dependents need not enroll in Medicare Part D prescription drug coverage. Some SHBP members who qualify for low income subsidy programs may find it beneficial to enroll in Medicare Part D. However, once you and/or your dependents enroll in Medicare Part D, your SHBP retired group prescription drug benefits will be terminated for both you and your dependents.

You may need to obtain a written statement from your employer certifying that you have been covered under an employer group health plan. The statement should indicate when and why coverage as an active employee will end.

**APPROXIMATELY 2 MONTHS BEFORE RETIREMENT**

You will receive a **Quotation of Retirement Benefits** letter which shows your monthly retirement allowance with:

- the option you selected; (for PERS and TPAF)
- a quote of any outstanding loan balance with repayment options; and
- a quote of any outstanding arrears (purchase) balance and/or shortages.

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

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

Any outstanding arrears or shortages must be paid before your retirement check can be issued. Failure to respond to these issues will delay your retirement benefits.

**APPROXIMATELY 1 MONTH BEFORE RETIREMENT**

Your retirement will be presented to the retirement system's Board of Trustees for approval. You will receive a board approval letter and will have 30 days from the board approval date or your effective retirement date (whichever is later) to change your option selection if you wish. If you change your option after board approval, your new selection must again be approved by the Board of Trustees. This may delay your first check.

You may choose to cancel your retirement within 30 days of your retirement date or board approval date (whichever is later). This request must be in writing to the Division of Pensions and Benefits. Canceling your retirement does not guarantee reemployment with your employer.

If you are not eligible for SHBP coverage after retirement, you should discuss with your employer the possibility of continuing medical, prescription drug, dental, or vision coverage under the provisions of COBRA.

**SHORTLY AFTER YOUR RETIREMENT DATE**

You will receive **forms for withholding** federal and New Jersey State income tax.

You will receive a **form** to have your retirement check **deposited directly** to your bank account.

Your **first retirement check** will be dated no earlier than the first of the month following your retirement date or 30 days after approval by the retirement system's board of trustees, whichever is later.

**FACT SHEETS ABOUT RETIREMENT**

Listed below are fact sheets pertaining to retirement and related issues. These fact sheets available on our Web site at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions) (select "Forms and Publications"). You can also obtain fact sheets from the Division's Office of Client Services at (609) 292-7524, or from your benefits administrator or human resources representative.

**Purchasing Service Credit**

- 1 - Purchasing Service Credit (PERS, TPAF & Police and Firemen's Retirement System - PFRS)
- 2 - Estimating the Cost of Purchasing Service Credit (PERS & TPAF)
- 3 - Estimating the Cost of Purchasing Service Credit (PFRS)

**Retirement Planning**

- 4 - Applying for Retirement (PERS & TPAF)
- 5 - Pension Options (PERS & TPAF)
- 11 - Enrolling in the State Health Benefits Program When You Retire
- 17 - Veteran Status (PERS & TPAF)
- 18 - Cost-of-Living Adjustments (All Funds)
- 19 - Applying for Retirement (PFRS)
- 41 - Applying for Retirement (State Police Retirement System - SPRS)
- 54 - Calculating Your Own Retirement Allowance (PERS & TPAF)
- 61 - Planning for Your Survivors - Pension Options (Judicial Retirement System - JRS)
- 64 - About Your Retirement Check

**Types of Retirement**

- 14 - Deferred Retirement (PERS, TPAF & PFRS)
- 15 - Disability Retirement Benefits (PERS & TPAF)

- 16 - Disability Retirement Benefits (PFRS)
- 39 - Disability Retirement Benefits (SPRS)
- 53 - Legislative Retirement Benefits (PERS)

**Taxation of Benefit Distributions**

- 12 - Taxation of Retirement Benefits
- 27 - The Taxability and Mandatory Withholding of Income Tax From Your Pension Distribution
- 59 - The Taxability and Mandatory Withholding of Income Tax From Your Deferred Compensation Distribution

**Employment after Retirement**

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

**State Health Benefits Program/COBRA**

- 11 - Enrolling in the State Health Benefits Program When You Retire
- 23 - The State Health Benefits Program and Medicare Parts A & B for Retirees
- 30 - Continuation of New Jersey State Health Benefits Program Insurance Under COBRA
- 47 - State Health Benefits Program Retired Coverage Under Chapter 330 (PFRS & Law Enforcement Officers (LEO/Part of PERS))
- 73 - Retiree Dental Expense Plan

**Life Insurance/Death Benefits**

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

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# Pension Options

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

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## ESTIMATING YOUR RETIREMENT ALLOWANCE

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

You can also obtain a retirement estimate by completing a *Request for Retirement Estimate* form, available from your employer or the Division of Pensions and Benefits. And you may also call the Division of Pensions and Benefits' Automated Information System at (609) 777-1777 to hear an estimate of your retirement benefits over the phone. Please have your Social Security number available when you call.

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

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

## PENSION PAYMENT OPTIONS

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

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

### Maximum Option - No Pension Benefit to a Beneficiary

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

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

## OPTIONS OTHER THAN THE MAXIMUM

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

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

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

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

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

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

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

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

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

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

**Option 1 - Reducing Retirement Reserve to a Beneficiary**

Option 1 provides a lifetime monthly payment to you. Your retirement allowance is reduced from what you could collect under the Maximum Option. It is also different from the Maximum Option in that it *may* provide a lump-sum payment to your beneficiary after your death. At the time of your retirement, the amount expected to be paid to you in retirement benefits over your lifetime is calculated. This is called your retirement reserve. If you die before you receive monthly retirement benefits equal to your retirement reserve, your beneficiary is entitled to the balance.

The balance will be paid in a lump sum or the beneficiary may request payment in equal monthly payments over 5, 10, 15, or 20 years or as a life annuity.

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

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

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

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

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

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

**Option 2 - 100% to Beneficiary - Permanent Reduction**

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

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after retirement. This is similar to Option A except that if your beneficiary dies before you, you will continue to receive the reduced retirement allowance you had been receiving under this option.

**Option 3 - 50% to Beneficiary - Permanent Reduction**

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

**Option 4 - Choice of Amount to Beneficiary - Permanent Reduction**

If the preceding payment options do not meet your financial needs, you may want to consider this option. Option 4 provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive whatever monthly allowance you decide for life. (This can be no more than your own allowance.) You can name one beneficiary or multiple beneficiaries to receive this benefit and the beneficiary(ies) can never be changed after retirement. If your beneficiary dies before you, you will continue to receive the reduced retirement allowance you had been receiving under this option.

**Age Limits on Nonspouse Beneficiaries**

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

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

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

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

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

**For Option B (75% to beneficiary):**

- If you are age 70 or older at retirement, your non-spouse beneficiary can be no more than 19 years younger than you.

**Pension Benefit to Beneficiary Upon Death of Retiree**

	None	Lump Sum	100% of Retirement Allowance	75% of Retirement Allowance	50% of Retirement Allowance	25% of Retirement Allowance
Maximum	X					
Option A			X			
Option B				X		
Option C					X	
Option D						X
Option 1		X				
Option 2			X			
Option 3					X	
Option 4 <sup>†</sup>				X	X	X

<sup>†</sup>Under Option 4 you can name any dollar amount less than your allowance to be paid to a beneficiary.

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

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

**Proof of Age Documentation**

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

**Power-of-Attorney and Option Selection**

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

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

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

**WHAT HAPPENS TO RETIREE ALLOWANCE IF BENEFICIARY DIES BEFORE RETIREE?**

Under Options 2, 3, and 4, if your beneficiary dies before you, your retirement allowance remains at the reduced option level. Under Options A, B, C, and D, if your bene-

ficiary dies before you, your retirement increases to the Maximum Option. Options A through D provide a smaller retirement allowance to you and your beneficiary, when compared to similar Options 2, 3, and 4, to pay for the larger retirement allowance you would collect if your beneficiary dies before you.

**Retiree Allowance Upon Death of Beneficiary**

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

**LIFE INSURANCE AFTER RETIREMENT**

Most members of the 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 option benefit to your beneficiary in addition to the life insurance.

**ADDITIONAL INFORMATION**

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

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

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

# GROUP LIFE INSURANCE

## AN OVERVIEW

### FOR PERS AND TPAF MEMBERS

#### CONTRIBUTORY AND NONCONTRIBUTORY GROUP LIFE INSURANCE

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

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

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

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

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

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

- your membership status at the time of death;
- your salary<sup>2</sup>; and
- your age.

#### GROUP LIFE INSURANCE COVERAGE FOR PERS MEMBERS

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

PERS INSURANCE COVERAGE WHILE RETIRED		
Type of Retirement	Death before age 60	Death after age 60
Service & Veteran	Does not apply	3/16 x salary
Early	3/16 x salary	3/16 x salary
Deferred	None	3/16 x salary
Disability	1½ x salary	3/16 x salary

**NOTE:** The percentages shown apply to the total base salary upon which pension contributions were based during the year preceding retirement or highest contractual year.

#### GROUP LIFE INSURANCE

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

#### COVERAGE FOR TPAF MEMBERS

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

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



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

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

### PAYMENT OF GROUP LIFE INSURANCE

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

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

These death benefits cannot be paid until all the necessary information and forms have been received by the Division of Pensions and Benefits.

To report a death, contact Client Services at (609) 292-7524.

### GROUP LIFE INSURANCE AND LEAVE OF ABSENCE

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

- up to two years while on an official leave of absence for personal illness. In this case, contributions **are not** necessary to continue coverage under the contributory plan.
- up to one year while on an official leave to fulfill a residency requirement for an advanced degree or as a full-time student at an institution of higher education. In this case, contributions **are** necessary to continue coverage under the contributory plan<sup>3</sup>.
- up to 93 days while on official leave for personal reasons (also family leave). In this case, contributions **are** necessary to continue coverage under the contributory plan<sup>3</sup>.

### CHOOSING A BENEFICIARY

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

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

All *Designation of Beneficiary* forms must be signed and sent in to the Division of Pensions and Benefits.

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

Beneficiary designations cannot be accepted nor confirmed over the telephone or by e-mail. This is for your protection.

## TAXATION OF GROUP LIFE INSURANCE BENEFITS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Conversion of Group Life Insurance

All Funds

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

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

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

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

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

To initiate the purchase of a conversion policy, you must contact the Prudential Insurance Company (not the Division of Pensions and Benefits) at 1-800-524-0542 or through any of its local offices or if you live in

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

- G-14800 - This is the policy number for the basic (noncontributory) group life insurance for the following pension systems: ABP<sup>1</sup>, PERS<sup>2</sup>, TPAF<sup>3</sup>, JRS<sup>4</sup>, PFRS<sup>5</sup>, SPRS<sup>6</sup>
- G-13900 - This is the policy number for the contributory group life insurance for PERS
- G-14300 - This is the policy number for the contributory group life insurance for TPAF

The conversion policy can be for any amount of insurance up to the amount that you had while employed. (In the case of a retirement the maximum amount that you can purchase will be reduced by the amount of any life insurance that you will automatically receive in retirement under your retirement plan. See example under Retirement.) *To protect your conversion privilege it is suggested that you send your application for conversion to Prudential with at least one month's premium, at the time you file your retirement application with the Division of Pensions and Benefits.*

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

## RETIREMENT

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

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

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

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

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

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

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

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

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

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

**Deferred Retirement (Does not apply to ABP)**

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

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

**Disability Retirement (Does not apply to ABP)**

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

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

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

**TERMINATION OF EMPLOYMENT  
OR LEAVE OF ABSENCE**

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

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

**RETURN TO PUBLIC EMPLOYMENT**

If you return to public employment after the purchase of a conversion policy, you must discontinue your individual conversion policy. If you do not, you will be required to submit satisfactory proof of insurability before you can be covered again in full under a group life insurance policy.

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

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# About Your Retirement Check

All Funds

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

## RETIREMENT CHECK MAILING DATES

Listed below are the dates indicating when retirement checks will be delivered to the United States Post Office. Please add several days to the mailing date that is shown for an approximate date of delivery to your home address.

Also listed below are Electronic Fund Transfer (EFT) effective dates for monthly retirement allowance payments. Payments are normally on the first day of the month, unless the first falls on a Saturday, Sunday, or State holiday. In 2008, alternate EFT effective dates occur on February 29, May 30, August 29, October 31, and December 31.

## RETIREMENT CHECK MAILING DATES FOR THE YEAR 2008

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

## LOST, MISSING, OR STOLEN CHECKS

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

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

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

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

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

## ELECTRONIC FUND TRANSFER SAVES TIME AND PREVENTS DELAYS

Electronic Fund Transfer (EFT) — also known as Direct Deposit — is an easy, convenient way to ensure that your monthly retirement check arrives automatically at your bank. Since deposits occur electronically, there is no need to wait for the check to arrive in the mail, and you can pay your bills on time. The extra trip to the bank to cash your check or make a deposit is also eliminated. In this way, EFT can save you time, and your money is available on time, every month. Seventy-eight percent of our retirees already use EFT.

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

After you sign up for EFT, you will receive a *Statement of Allowances and Deductions* when your first monthly pension allowance is directly deposited to your account. Like a check stub, the *Statement of Allowances and Deductions* shows your monthly pension allowance, and includes all of the amounts credited to and deducted from your pension. Keep your initial statement as a guide to what is added to or deducted from your retirement allowance. New statements are not mailed to EFT recipients unless one of the following items change:

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

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

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

#### ALLOWANCE AND DEDUCTION INFORMATION OVER THE PHONE

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

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

#### UPDATING YOUR HOME ADDRESS

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

#### STATEMENTS OF ALLOWANCES AND DEDUCTIONS IN A TYPICAL YEAR

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

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

**March 1 - November 1** - EFT recipients will not receive another statement until December 1, unless there is a further change in any of the five items listed at left.

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

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**AUTOMATED INFORMATION SYSTEM**

To Hear Your Current Check Information

Dial - (609) 777-1777

Enter Your Social Security Number



To Request Retirement Information



To Hear Current Check Information

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

- Write to Pension Payroll, Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295. Include your name, Social Security number or retirement number, both the old and new addresses, the date of the move, your daytime telephone number, and your signature;
- Call (609) 292-MOVE, or (609) 292-6683. Please have your Social Security number or retirement number on hand;
- Use our Internet Change of Address form. Go to the Division's Web site at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions) and click on "Online Change of Address for Retirees." Enter the information requested and hit "Submit."

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

**ADJUSTING THE FEDERAL OR STATE  
INCOME TAX WITHHELD FROM YOUR  
PENSION ALLOWANCE**
**Federal Income Tax**

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

If you wish to have more tax withheld than the tax tables require, there is an "Optional Additional Deductions" box on the form, in which you can enter the amount you want withheld in addition to the amount required by the tax tables. If you never entered a figure in this box previously, and you want to increase your federal withholding tax by \$20, simply enter \$20 there. However, if you previously asked for an additional \$50 to be withheld, and you now want to increase that by \$20, you must enter \$70 in the additional amount box, not \$20, since that amount will replace the additional amount you had previously requested.

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

**New Jersey State Income Tax**

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

**Additional Tax Information and Forms**

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

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

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

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# Cost-of-Living Adjustments

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

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

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

## **Example: To calculate the COLA due February 1, 2007**

A member retired in 2000 with a monthly retirement allowance of \$1,278.35\*. The average CPI for the twelve months ending December 31, 2000 was 168.9. The average CPI for the twelve months ending August 31, 2006 was 196.0.

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

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

$$196.0 - 168.9 = 27.1$$

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

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

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

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

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

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

- The total monthly benefit equals \$1401.42

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

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

You can also verify your current allowance and deduction information at any time by calling our Automated Information System, (609) 777-1777. When calling, you will be asked to enter your Social Security number. Then by pressing 3 after the first prompt — indicating that you are requesting retirement information — and 3 again at the second prompt, you can hear the check information in the order as it would appear on your check stub.

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# Taxation of Retirement Benefits

All Funds

## HOW ARE MY PENSION BENEFITS TAXED FOR FEDERAL PURPOSES?

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

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

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

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

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

## CALCULATING THE NON-TAXABLE AMOUNT

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

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

TABLE A

### Benefits Payable To Retiree Only\*

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

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

TABLE B

### Benefits Payable To Retiree and Beneficiary

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

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

**Example 1** — A PERS member whose previously-taxed contributions equaled \$12,000 retires at age 62 and chooses to receive the maximum allowance (designating no monthly pension to a surviving ben-

eficiary). **Table A** is used because benefits are payable to the retiree **only**. The \$12,000 is divided by 260 which produces a monthly tax-free amount of \$46.15. The balance of the monthly pension is subject to federal income tax.

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

**HOW LONG WILL THE NON-TAXABLE PORTION CONTINUE?**

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

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

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

**WITHHOLDING FEDERAL INCOME TAX FROM YOUR PENSION CHECK**

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

**WITHHOLDING NJ STATE INCOME TAX FROM YOUR PENSION CHECK**

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

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

**Retirement Income Exclusions**

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

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

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

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

### **CHANGING YOUR WITHHOLDING AMOUNT**

If you wish to change your withholding you must submit a new form (W-4P or NJ W-4P) which you can obtain from your employer, by contacting the Division of Pensions and Benefits, or over the Internet at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions). If you already have **more than the minimum** federal tax withheld, you should contact the Division of Pensions and Benefits at (609) 292-7524 for assistance in completing the form.

### **QUESTIONS COMMONLY ASKED AFTER RETIREMENT**

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

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

#### **Am I taxed on the reimbursement of Medicare premiums?**

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

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

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

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

#### **Is my disability pension taxable?**

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

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

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

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

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

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# Purchasing Service Credit

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

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

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

## TYPES OF PURCHASE

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

### Temporary Service

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

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

ed the service rendered was in a title eligible for participation in the PFRS, was continuous, and immediately preceded a permanent or regular appointment in the PFRS.

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

### Leave of Absence without Pay

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

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

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

### Former Membership Service

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

**Out-of-State Service**

PERS, TPAF, and PFRS members are eligible to purchase up to 10 years of public employment rendered with any state, county, municipality, school district, or public agency outside the State of New Jersey but within the United States (including U.S. territories or possessions) provided the service rendered would have been eligible for membership in a State of New Jersey-administered defined benefit retirement system. This service is only eligible for purchase if the member is not receiving or eligible to receive retirement benefits from the out-of-state public pension fund.

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

**U.S. Government Service**

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

**Military Service Before Enrollment**

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

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

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*\*A member receiving or eligible to receive a military pension, based in whole or in part on **service in the reserves**, may purchase credit for active military service.*

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

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

**Military Service After Enrollment**

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

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

**Uncredited Service**

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

**Local Retirement System Service**

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

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**Layoff (PFRS only)**

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

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

**Employment with Other Agencies (PFRS only)**

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

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

**PROCEDURES FOR  
PURCHASING SERVICE CREDIT**

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

You can receive an estimate of the cost of purchasing service credit by calling our Automated Information System at (609) 777-1777 or by using the online purchase calculator on the Division of Pensions and Benefits Web site: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions)

The cost of a purchase is based the following:

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

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

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

**PAYING FOR A PURCHASE  
OF SERVICE CREDIT**

You may pay for a purchase service credit:

- with one lump-sum payment;
- by having extra payroll deductions withheld from your pay. The minimum deduction is equal to one-half of the full rate of contribution to the pension system (2.5 percent of salary for PERS and TPAF members and 4.25 percent of salary for PFRS members) over a maximum period of 10 years and includes interest of 8.25 percent;

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- by making an initial down payment and having the remainder paid through payroll deductions; or
- with a direct rollover or trustee-to-trustee transfer of tax-deferred funds from a qualified retirement plan. These include:
  - 401(a) qualified plan (including 401(k) plan) and 403(a) qualified annuity
  - 403(b) Tax-Sheltered Annuity Plan
  - 457(b) State and Local Government Deferred Compensation Plan
  - IRA with tax-deferred funds
    - Traditional IRA
    - Simple IRA (must be over 2 years old)
    - Simplified Employee Pension Plan (SEP)
    - Conduit IRA
    - Rollover IRA

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

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

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

If you decide to cancel a purchase and future payroll deductions, and have the service credit prorated for the amount you have paid toward the purchase, a request must be made in writing to the Adjustment Section, Division of Pensions and Benefits, PO Box 295, Trenton, 08625-0295.

Your cancellation and proration will automatically be projected into the next payroll certification date (approximately one month for employees whose contributions are reported monthly to the Division or three pay periods for employees whose contributions are reported to the Division on a biweekly basis).

Members who have applied for retirement can request a proration for a *future* date. Otherwise, if you retire before completing all of the scheduled payments, you will automatically receive prorated credit for the amount of service you have paid for or you can pay the remaining balance in a lump-sum and receive full credit.

### IMPORTANT NOTES

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

Effective November 1, 2008, Out-of-State service and U.S. Government service credit cannot be used to qualify for employer paid health care benefits in retirement for members of the PERS and the TPAF. The purchase of Out-of-State and/or U.S. Government service may be used to increase a member's monthly retirement allowance.

#### **Military Veterans and Non-Veterans**

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

If you qualify as a **veteran**, you may be eligible to purchase an additional 5 years of military service rendered during periods of war for an aggregate of 15 years of service outside New Jersey (out-of-state, military, and U.S. Government service). See Fact Sheet #17, *Veteran Status*, for additional information.

#### **Shared and Full Cost Purchase**

For most types of purchase, the cost is shared between the employee and the employers who participate in the pension plan. When statute specifically provides that the employer shall not



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be liable for any costs of the purchase, you as the member must pay the full cost. If you purchase local retirement system service, U.S. Government service, military service before enrollment, layoff for members of PFRS, or employment in certain other agencies (PFRS only), you are responsible for the full cost. Therefore, the cost to you for purchasing these types of service will be twice the cost for other types of purchase.

The purchase of Uncredited Service is a shared cost purchase, however, the employer bears no cost for this type of service.

**Concurrent Service**

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

the member already has service credit in TPAF for the same period of time.

**Leave of Absence**

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

**Disability Retirement**

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

**Taxation of Purchase Payments**

The contributions you make to purchase the types of service credit described in this fact sheet are not federally tax deferred like your normal pension contributions. These contributions will not be included as taxable income when you start receiving benefits at retirement.

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# Estimating the Cost of Purchasing Service Credit

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

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

You may purchase service credit:

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

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

When you agree to purchase service credit through payroll deductions, the Division of Pensions and Benefits assumes that you will complete the purchase and credits your account with the entire amount of service. Once you have given authorization to purchase service credit to the Division, you cannot rescind a purchase and receive a refund of any payments. You may cancel future deductions and have your service credit prorated for the amount previously purchased.

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

pay periods for employees whose contributions are reported to the Division on a biweekly basis).

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

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

You can receive an *estimate* of the cost of purchasing service credit by calling our Automated Information System at (609) 777-1777 or by using the online purchase calculator on the Division of Pensions and Benefits Web site: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions)

Before you submit your application to purchase service credit, you may want to estimate the cost yourself. Please follow the instructions below to determine the cost of your purchase.

## DETERMINING THE COST OF PURCHASING SERVICE CREDIT

Using the chart, on page 3 of this fact sheet, locate your **nearest age** and the corresponding purchase factor for that age. For example, if you are 35 years and 5 months of age at the time of your request, your nearest age is 35 years of age and the corresponding factor is .039. If you are 35 years and 6 months of age at the time of your request, your nearest age is 36 years of age and the corresponding factor is .040.

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

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

### Shared Cost Purchase

The above procedure can be used to calculate the costs of the following *shared cost* purchases: temporary service, former membership in a New Jersey State-administered retirement system, leaves of absence, and out-of-state service.

### Full Cost Purchases

To calculate the purchase cost to purchase military service, local retirement system, and U.S. Government civilian service, you use the same procedure **except you must double the resulting cost**. In the example used, the *full cost* for these types of purchases would be \$11,200 ( $0.040 \times \$40,000 \times 3.5 \times 2$ ).

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**WORKSHEET**

**SHARED COST PURCHASES**

To estimate the cost of purchasing temporary service, former membership in a New Jersey State-administered retirement system, uncredited service, leaves of absence, or out-of-state service, use the worksheet below:

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

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

**FULL COST PURCHASES**

To estimate the cost of purchasing military service, U.S. Government civilian service, or local retirement system service use the worksheet below:

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

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

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

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

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

# Enrolling in Health Benefits Coverage When You Retire

State Health Benefits Program and School Employees' Health Benefits Program

## ELIGIBILITY

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

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

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

## ENROLLMENT

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

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

**Note: Dual HMO enrollment is prohibited.** State statute specifically prohibits two members who are married to each other or who are civil union or domestic partners (see page 5) and who are **both**

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

enrolled in the SHBP or SEHBP from enrolling under two HMO plans. A member may belong to an HMO as a retiree or as a dependent but not as both.

**Prescription drug coverage is included in all retiree medical plans.** If you had dental care coverage through your employer you may be eligible to continue coverage through the Retiree Dental Expense Plan (see Fact Sheet #73, *Retiree Dental Expense Plan*, for more information).

### MEDICARE COVERAGE IS REQUIRED

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

If you and/or your eligible dependents become eligible for Medicare due to turning age 65 or 24 months after approval of Social Security Disability after you retire, you and/or your dependents must enroll in Medicare Parts A and B. If you and/or your dependents do not enroll in both parts of Medicare when eligible, your health benefits coverage will terminate.

### Medicare Part D

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

### HOW MEDICARE AFFECTS THE COST OF RETIRED GROUP COVERAGE

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

### COVERAGE COSTS

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

If you attain 25 years of service **after** July 1, 1997 or retire on a disability retirement you may share in the health insurance costs according to the terms specified in the appropriate bargaining unit agreements in effect at the time you reached your 25 years credited in the retirement system or retired with a disability retirement. Any reimbursement of Medicare Part B premiums paid by you and/or your spouse, civil union partner, or eligible domestic partner may also be limited by the terms of the bargaining unit agreement.

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

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

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**School Board and County College Employees:**

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

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

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

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

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

### COMBINING SERVICE CREDIT FROM MORE THAN ONE RETIREMENT SYSTEM

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

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

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

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

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

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

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

If you retire from a position with the State or an employer who participates in the SHBP or SEHBP,

you will receive a health benefits offering letter for retired group coverage. When you respond to the offering letter, you should tell us that you have over 25 years of service in two or more New Jersey public retirement systems. You should identify the retirement systems so we can verify your service credit.

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

### ELIGIBLE DEPENDENTS

Your eligible dependents are your spouse, civil union partner, or an eligible same-sex domestic partner (see definitions below), and your unmarried children under age 23 who live with you in a regular parent-child relationship. Children may only be covered by one parent if both are eligible for SHBP or SEHBP coverage.

#### Definition

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

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

**Domestic Partner** — This is a same-sex domestic partner, as defined under Chapter 246, P.L. 2003, the Domestic Partnership Act, of any State employee, State retiree, or an eligible employee or retiree of a participating local public entity if the local governing body adopts a resolution to provide Chapter 246 health benefits. A photocopy of the New Jersey *Certificate of Domestic Partnership* dated prior to February 19, 2007 or a valid certification from another jurisdiction that recognizes same-sex domestic

partners is required for enrollment. The cost of same-sex domestic partner coverage may be subject to federal tax (see your employer or Fact Sheet #71, *Benefits Under the Domestic Partnership Act*, for details).

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

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

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

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

#### Coverage for Over Age Children to Age 31

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

Under Chapter 375, an over age child does not have any choice in the selection of benefits but is enrolled for coverage in exactly the same plan or plans (med-



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ical and/or prescription drug) as the covered parent has selected. The covered parent is responsible for the entire cost of coverage. There is no provision for eligibility for dental or vision benefits. For more information, see Fact Sheet #74, *Health Benefits Coverage of Children to Age 31*.

### ADDING OR REMOVING A DEPENDENT FROM COVERAGE

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

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

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

### **Divorce or Dissolution of a Civil Union or Domestic Partnership**

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

### CHANGING PLANS

You must complete a *Retired Coverage Enrollment Application* to enroll for health benefits as a new retiree, even if you are selecting the same plan (NJ

DIRECT, Aetna HMO, or CIGNA HealthCare HMO) you had as an active employee.

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

### WAIVING COVERAGE IF COVERED BY ANOTHER HEALTH PLAN

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

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

### **Chapter 330**

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

### WHEN HEALTH BENEFITS COVERAGE ENDS

Coverage under retired group health benefits will terminate if:

- you formally request the termination in writing, or you complete a *Retired Change of Status Application* and select termination of coverage (***reinstatement will generally not be permitted***);
- your premiums are not paid;
- your plan discontinues services in your area and you do not submit an application to the Health Benefits Bureau to change to another plan;

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- your employer withdraws from the SHBP or SEHBP (**does not apply** to retirees who qualified for State-paid coverage; i.e. former employees of local school districts or county colleges, and municipal policemen and firemen who qualify under the provisions of Chapter 330, P.L.1997);
- you or your dependents fail to enroll in Parts A and B of Medicare when eligible;
- you cease to receive retirement benefits; or
- you die (see below).

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

Your spouse's/partner's coverage under your plan will terminate at the end of the month in which you die. However, your spouse or partner will be sent a letter and application offering continuation of coverage in the plan of their choice at their own cost. If your spouse or partner elects to continue health benefits coverage, they will be reenrolled for coverage, without a break in coverage, upon the timely receipt of the completed and signed application. If your spouse or partner will be receiving a monthly pension check large enough to cover the premium, the premium will be deducted from the payment. If your spouse or partner will not receive a pension check or if the pension check is not large enough to cover the cost, your spouse or partner will be billed monthly for the premiums.

Some local employers have agreed to pay for the coverage of spouses or partners of deceased

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

**ADDITIONAL INFORMATION**

Information about your current health benefits plan, level of coverage, and dependent information can be obtained 24 hours a day, 7 days a week, by calling the Division of Pensions and Benefits' Automated Information System at (609) 777-1777.

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

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

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

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

**CIGNA HealthCare HMO** 1-800-564-7642

**Forms and Fact Sheets**

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

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

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## RETIREE DENTAL EXPENSE PLAN

State Health Benefits Program (SHBP)

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

### RETIREE ELIGIBILITY

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

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

### Dependent Eligibility

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

**Note:** Duplicate coverage within the Retiree Dental Expense Plan is not permitted; an individual may be covered as a retiree or as a dependent but not as

both a retiree and a dependent. Dependent children may only be covered by one parent.

### ENROLLMENT

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

### How to Enroll

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

### Waiver of Enrollment in Dental Coverage

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

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

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

### WHEN COVERAGE BEGINS

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

### RETIREE DENTAL EXPENSE PLAN COSTS

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

For information on the monthly premiums for the Retiree Dental Expense Plan, see the rates charts that are available on the SHBP Web site:

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

### WHEN COVERAGE ENDS

Your Retiree Dental Expense Plan coverage will end when:

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

tion of Retiree Dental Expense Plan coverage;

- your medical and/or dental premiums are not paid;
- your medical coverage ends due to the fact that your former employer withdraws from the SHBP (does not apply to retirees who qualified for State-paid medical coverage; i.e. former employees of local school districts or county colleges, and municipal police and firefighters who qualify under the provision of Chapter 330, P. L. 1997)

### When Dependent Coverage Ends

Your dependents' coverage will end when:

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

### EXTENSION OF COVERAGE

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

### Disabled Children

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

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lowing the year in which the dependent turned 23 to apply for the extension.

### PLAN SUMMARY

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

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

### Covered Services

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

**Preventive Care** consists of diagnostic and preventive services that are intended to maintain oral health and reduce the effects of tooth decay or gum disease that could lead to an increased need for more costly restorative services. They include the following:

- Oral examinations (includes comprehensive, periodic, limited and specialist oral evaluations). You can have two comprehensive evaluations in a calendar year and one additional emergency or limited evaluation per year;

- Horizontal bitewing X-rays are limited to two series of four films per calendar year; vertical bitewing X-rays limited to one series of eight films per 12 month interval; full-mouth periapical X-rays limited to once per 36 months with no more than 18 films;
- Cleaning and polishing twice in a calendar year; and
- Topical application of fluoride for children under 19 twice in a calendar year.

**Basic Services** include the following:

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

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

- Periodontal services – services involving the maintenance, reconstruction, regeneration, and treatment of the supporting structures surrounding teeth, including bone, gum tissue, and root surfaces. Root planning and scaling is limited to one treatment per quadrant every 12 months. Periodontal surgical procedures are limited to one surgery per quadrant every 36 months.
- Prosthodontic services – services using removable or fixed dentures (bridges) to replace missing teeth. Replacement of removable devices is covered only after a 5-year period from their installation.

**RETIREE DENTAL EXPENSE PLAN REIMBURSEMENT TIERS**

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

**Network Dentists**

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

**MORE INFORMATION ABOUT THE PLAN**

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

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

**Aetna Navigator**

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

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

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**New Jersey Division of Pensions and Benefits • PO Box 295 • Trenton, New Jersey 08625-0295**  
**(609) 292-7524 • TDD for the hearing impaired (609) 292-7718**  
**URL: <http://www.state.nj.us/treasury/pensions> • E-mail: [pensions.nj@treas.state.nj.us](mailto:pensions.nj@treas.state.nj.us)**

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

# CAN I AFFORD TO RETIRE?

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

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

## Deductions from Pension Check

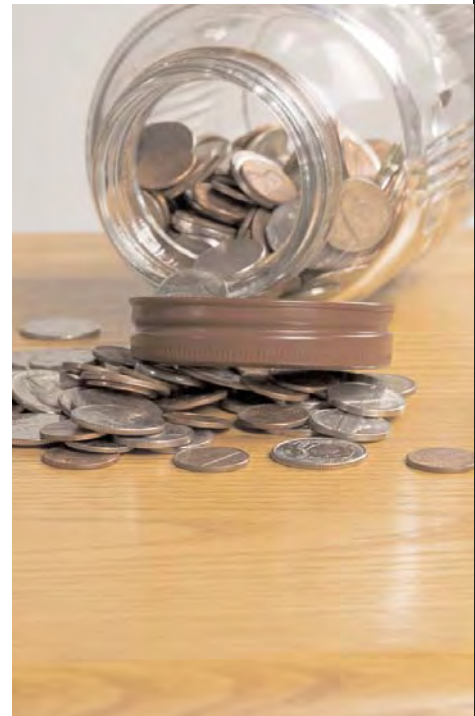
(see back of page for explanation of deductions)

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

## Comparing Net Salary With Net Pension

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

<b>Net annual salary</b>	\$ _____
<b>Net annual pension</b>	- _____
<b>Difference</b>	\$ _____



# Possible Deductions from Pension Check

## Income Tax

- Federal – due as soon as you start collecting pension (see federal income tax withholding tables)
- State – If living in NJ, none due until you have collected pension equal to your total contribution to the retirement system (unless not recovered in 3 years).

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

\$15,000 if single

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

## Loan

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

## Health Benefits

- **State Employees:** If you reached 25 years of service in the retirement system by 7/1/97, the State will pay the monthly premium for your coverage regardless of the State Health Benefits Program health plan you choose, provided that you were eligible for State Health Benefits Program coverage until your retirement date. For State employees who reach 25 years of service between 7/1/97 and 7/1/2007, or who retire during that period on a disability retirement, the State will pay the monthly premium for your coverage if you choose NJ PLUS coverage or coverage under one of the HMOs. If you choose Traditional Plan coverage, you will pay a portion of the monthly premium (some law enforcement union members are not subject to premium sharing).
- **School Board or County College Employees:** If you have 25 years of service in the retirement system when you retire, or if you retire on a disability retirement, and you were eligible for health insurance coverage through your employer until your date of retirement, you are entitled to State-paid State Health Benefits Program coverage in retirement.
- **Local Employees:** You must have State Health Benefits Program coverage as an employee until your retirement date to be eligible to continue that coverage in retirement. Some employers have agreed to pay for coverage of employees who retire with 25 years of service in the retirement system or retire on a disability retirement. The employer may require that some or all of those years be with the employer at the time of retirement or may require that you be at least age 65 when you retire to qualify for this benefit. Some employers have also agreed to pay for coverage for those who are age 62 or older with at least 15 years of service credit in the retirement system.

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



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

**REQUEST FOR A RETIREMENT ESTIMATE**

RETIREMENT SYSTEM (Check one):  **PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**  
 **TEACHERS' PENSION AND ANNUITY FUND (TPAF)**

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

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

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

Have you retired from PERS/TPAF  
previously and returned to work?  Yes  No

Will your last three years of service also be the years during which you earn the highest salary?  Yes  No

If no, list the three fiscal years (July-June) in which you earned the highest salary: \_\_\_\_\_

**Retirement Type: Check One**

- SERVICE** At least age 60; no minimum service requirement.
- VETERAN** Served in military for the required period during wartime and at least age 60 with 20 or more years of service\* OR at least age 55 with 25 or more years of service\* OR at least age 55 with 35 or more years of service.\*
- EARLY** Under age 60; 25 or more years of service;\* 1/4% (.0025) reduction in benefits for each month the member is under age 55.
- DEFERRED** Under age 60; 10 or more years of service;\* pension begins at age 60.
- ORDINARY DISABILITY** Totally and permanently disabled; 10 or more years of New Jersey service.\*
- ACCIDENTAL DISABILITY** Totally and permanently disabled as a result of an accident on the job. What was the date of the accident that caused the disability? \_\_\_\_\_

Planned Retirement Date: \_\_\_\_\_ Date you will terminate employment: \_\_\_\_\_  
*must be the first of a month and within 2 years of today's date.*

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

Is the beneficiary your spouse?  Yes  No

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

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

*\*Service means service credited in the retirement system, which may not coincide with service with your employer. For Ordinary Disability, this service must have been performed in New Jersey. (Out-of-state, military, and U.S. government service purchases cannot be used to attain the 10 years.)*

**FOR DIVISION USE ONLY**

REASON FOR MANUAL CALCULATION (Attach screen print):

10-12 Month  Multi. Member  Off Pay More Than Two Years  Other (Explain): \_\_\_\_\_

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