

GROUP LIFE INSURANCE

Police and Firemen's Retirement System (PFRS)

GROUP LIFE INSURANCE

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

Coverage for Active Members

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

Coverage for Retired Members

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

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

PAYMENT OF GROUP LIFE INSURANCE

Group life insurance for active PFRS members can be paid in one of several ways (Group life insurance for retirees must be paid in a lump sum).

The payment options are:

- **LUMP SUM.**
- **ANNUITY CERTAIN** — 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** — 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.

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

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

Taxation of Group Life Insurance Payments

Information regarding death claim payments are supplied to the New Jersey Division of Taxation, in accordance with their requirements. A beneficiary or beneficiaries may be considered to be personally liable for any and all inheritance and/or estate taxes until paid.

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 official leave for personal illness.
- up to one year while on official leave to fulfill a residency requirement for an advanced degree or as a full-time student at an institution of higher education.
- up to 93 days while on official leave for personal reasons, family leave, or suspension without pay.

An official leave of absence requires documentation that establishes the nature of the leave and the continuing relationship between the employer and the member.

DESIGNATING A BENEFICIARY

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

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

- Active members **must** complete the *Designation of Beneficiary* online using the Member Benefits Online System (MBOS) . Information on using MBOS can be found in the *MBOS Users' Guide*, available on MBOS and on the Division's Web site at: www.nj.gov/treasury/pensions
- Retirees may mail a *Designation of Beneficiary* form to the Division of Pensions and Benefits or complete the form online through MBOS .

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

CONVERSION OF GROUP LIFE INSURANCE

Group life insurance coverage ends 31 days after you cease employment. You have the option to convert your group life insurance coverage to an individual policy with the Prudential Insurance Company when you retire, terminate employment, or lose coverage while on a leave of absence without pay. This conversion to a Prudential policy is guaranteed (you cannot be denied coverage for health or other reasons), but it may be more expensive or less suitable to your needs than other policies for which you may qualify from Prudential or other insurance carriers. You can estimate the cost of converting your policy by using the Group Life Insurance Conversion Calculator on the Division of Pensions and Benefits Web site at: www.nj.gov/treasury/pensions/conversion-calc.shtml

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For more information on conversion, please see Fact Sheet #13, *Conversion of Group Life Insurance*, available on our Web site at: www.nj.gov/treasury/pensions/pdf/factsheets/fact13.pdf

TAXATION OF GROUP LIFE INSURANCE BENEFITS

The Internal Revenue Service classifies all employer-provided life insurance coverage over \$50,000 as a fringe benefit subject to taxation. The amount of life insurance coverage is not taxable but rather the premium required to pay for the life insurance coverage is taxable.

Chapter 62, P.L. 1994 permits members of the State retirement systems to waive their Noncontributory Group Life Insurance over \$50,000 to avoid a possible federal and State tax liability on that benefit. Any member who waives the Noncontributory Group Life Insurance, must waive the total amount of coverage in excess of \$50,000. Waivers of partial amounts are not permitted.

To determine the taxable amount, subtract \$50,000 from the total amount of your noncontributory life insurance. 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 below) and the life insurance in excess of \$50,000. The remaining premium cost (if any) is the taxable amount and is added to your *Form W-2* for that year.

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

EXAMPLE: A PFRS member is age 52 and has noncontributory life insurance coverage of 3½ times salary.

The member's annual base salary is \$60,000. The member's life insurance coverage totals \$210,000 (3.5 x \$60,000).

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

According to the IRS, the premium cost for an individual 52 years of age is \$2.76 per \$1,000 of coverage. The premium cost in this example is \$441.60 (160 x \$2.76) and this amount would be added to your taxable income.

Waiving Noncontributory Group Life Insurance Over \$50,000

In the example above the member's noncontributory life insurance coverage equals \$210,000 (3.5 percent x \$60,000). In this example the member could waive \$160,000 of noncontributory life insurance coverage because members are only permitted to waive noncontributory life insurance coverage over \$50,000. The net taxable value would be reduced to \$0.00.

You may waive your Noncontributory Group Life Insurance coverage in excess of \$50,000 by completing a waiver form and submitting it to the Division of Pensions and Benefits. The form is available from the Division of Pensions and Benefits or your employer. The waiver form must be received by the Division of Pensions and Benefits before December 31 to be effective January 1 of the next calendar year. Once a waiver form has become effective it shall be irrevocable for the entire calendar year. The waiver will remain in effect until you submit a reinstatement form to the Division of Pensions and Benefits. The reinstatement will become effective the following January 1.

If a waiver is in effect at the time of termination of employment or retirement, you will not be permitted to convert any amount of your Noncontributory Group Life Insurance coverage over \$50,000 (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, see Fact Sheet #22, *Waiver of Noncontributory Group Life Insurance over \$50,000* and refer to Internal Revenue Service *Publication 525, Taxable and Nontaxable Income*.

This fact sheet has been produced and distributed by:

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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.