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**State of New Jersey
Police
and
Firemen's
Retirement
System**



August 2016

**Department of the Treasury
Division of Pensions and Benefits**

FOREWORD

The *New Jersey Police and Firemen's Retirement System (PFRS) Member Handbook* provides a summary description of the benefits of the plan and outlines the rules and regulations governing the retirement system. The *PFRS Member Handbook* should provide you with all the information you need about your PFRS benefits. However, if there is a conflict with statutes governing the plan or regulations implementing the statutes, the statutes and regulations will take precedence. Complete terms governing any employee benefit program are set forth in the New Jersey Statutes Annotated. Regulations, new or amended, are published in the New Jersey Register by the State Office of Administrative Law supplementing the New Jersey Administrative Code. This handbook, containing current updates, is available for viewing over the Internet at:

www.nj.gov/treasury/pensions/pdf/handbook/pfrsbook.pdf

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

Since this is your handbook, we would appreciate any comments or suggestions for improvement that you might have. Please send them to the address listed below. An evaluation form is available for your use on page 55.

Division of Pensions and Benefits
ATTN: Office of Communications
P.O. Box 295
Trenton, NJ 08625-0295

State of New Jersey Police and Fireman's Retirement System

TABLE OF CONTENTS

CONTACTING THE DIVISION			
OF PENSIONS AND BENEFITS	iii	Military Service before Enrollment	12
DIRECTIONS TO THE DIVISION		Military Service after Enrollment	13
OF PENSIONS AND BENEFITS	iv	Uncredited Service	13
PLAN INFORMATION	vi	Employment with Other Agencies	13
THE RETIREMENT SYSTEM	1	Layoff	13
MEMBERSHIP	1	Local Retirement System Service	13
PFRS Membership Tiers	1	IMPORTANT PURCHASE NOTES	14
Eligibility Criteria	2	COST AND PROCEDURES FOR	
Eligible Job Titles	2	PURCHASING SERVICE CREDIT	14
Training Requirements	3	Partial Purchases	15
Medical Requirements	3	Estimating the Cost of a Purchase.....	15
Age Requirements	3	Purchase Rate Chart	16
Volunteer Firefighters	5	Applying to Purchase Service Credit	16
Candidates Who Exceed the Age Limit	5	Rollover for Purchase Payment	18
Part-time Employees	5	LOANS	18
ENROLLMENT	5	Applying for a Loan	20
Enrollment/Certification of		Canceling a Loan	20
Payroll Deductions	5	Early Loan Repayment.....	21
Proof of Age	6	Loans at Retirement, Death, or	
Designating a Beneficiary.....	6	Termination of Employment	21
Public Information and Restrictions	6	Internal Revenue Service Requirements	21
Member Contribution Rate	7	POLICE AND FIREMEN'S	
DUAL MEMBERSHIP	8	MORTGAGE PROGRAM	22
TRANSFERS	8	SUPPLEMENTING YOUR PENSION	22
Intrafund Transfer	8	New Jersey State Employees	
Interfund Transfer	9	Deferred Compensation Plan	22
SERVICE CREDIT	10	Local Deferred Compensation Plans	23
VESTING	10	Supplemental Annuity	
CREDIT FOR MILITARY SERVICE		Collective Trust (SACT)	23
AFTER ENROLLMENT	11	Defined Contribution	
PURCHASING SERVICE CREDIT	11	Retirement Program (DCRP)	23
TYPES OF SERVICE		RETIREMENT	24
ELIGIBLE FOR PURCHASE	11	Mandatory Retirement	24
Temporary Service	11	Types of Retirement	24
Leave of Absence Without Pay.....	12	Service Retirement.....	24
Former Membership Service	12	Special Retirement	25
Out-of-State Service	12	Deferred Retirement	25
U.S. Government Service	12	Ordinary Disability Retirement	26
		Involuntary Ordinary Disability	
		Retirement	27

State of New Jersey Police and Fireman's Retirement System

TABLE OF CONTENTS

Special Disability Retirement	28	EMPLOYMENT AFTER RETIREMENT	40
Accidental Disability Retirement.....	28	ACTIVE AND RETIRED DEATH BENEFITS	40
THE RETIREMENT PROCESS	30	Payment of Pension to a Family Member....	41
6-8 Months before Retirement	30	Active Members	42
Retirement Estimates	30	Retired Members	42
4-6 Months before Retirement	31	ACCIDENTAL DEATH BENEFIT	43
Retirement Applications	31	GROUP LIFE INSURANCE	43
Disability Retirement Applications.....	31	Coverage for Active Members	43
Life Insurance	32	Coverage for Retired Members	44
Other Retirement Plans.....	32	Choosing a Beneficiary	44
Approximately 3 Months before		Payment of Group Life Insurance.....	45
Retirement	32	Taxation of Group Life Insurance Payments	45
Health Benefits Coverage at		Group Life Insurance and	
Retirement.....	32	Leave of Absence.....	45
Approximately 1 Month before		Taxation of Group Life Insurance Benefits ..	45
Retirement	33	IRS Premium Rates	46
Board Approval	33	Waiving Noncontributory Group	
Approximately 2-4 Weeks before		Life Insurance Over \$50,000	46
Retirement	33	CONVERSION OF	
Unsatisfied Balances	33	GROUP LIFE INSURANCE	47
Loans.....	33	Conversion: At Retirement	48
Purchase Arrears	34	Conversion: Termination of	
Shortages	34	Employment or Leave of Absence	49
AFTER YOUR RETIREMENT DATE	34	Conversion: Return to Public Employment..	49
Statement of Retirement Allowance	34	Group Life Insurance Coverage	
Due and Payable	34	While Receiving Workers'	
Retirement Checks	34	Compensation Without Pay	49
Change of Address	34	WITHDRAWAL FROM	
Direct Deposit/Electronic Fund Transfer ..	35	THE RETIREMENT SYSTEM	50
Withholding Federal and		When Membership Ends	50
NJ State Income Tax	35	Terminating Employment	50
Federal Income Tax after Retirement	36	Expired Accounts	51
NJ State Income Tax after Retirement	36	Withdrawing Contributions	52
Cost-of-Living Adjustment	37	WORKERS' COMPENSATION	53
REDUCTION OR SUSPENSION		APPEALS	54
OF YOUR BENEFITS	37	EVALUATION FORM	55
Divorce or Dissolution of a			
Civil Union/Domestic Partnership.....	38		
Misconduct	39		

CONTACTING THE DIVISION OF PENSIONS AND BENEFITS

Member Benefits Online System

The Member Benefits Online System (MBOS) allows registered PFRS members access to their pension and, if applicable, health benefits account information online. Resources available through MBOS include: member account information; beneficiary designation; online pension loan; purchase of service credit; withdrawal application; retirement applications; and (if applicable) State Deferred Compensation Plan; Supplemental Annuity Collective Trust (SACT) plan; and health benefits account information.

Retirees may also use MBOS to: view retirement account information; update an address; change direct deposit information; change a beneficiary designation; or update federal and/or New Jersey State income tax withholding.

Before you can begin using MBOS, you must be registered with MBOS and the MyNewJersey Web site. Registration is free and can be started at:

www.nj.gov/treasury/pensions/mbosregister.shtml

If you need assistance registering for MBOS, call the MBOS Help Line at (609) 292-7524 or send an e-mail with the subject line "MBOS E-mail" to: pensions.nj@treas.nj.gov

Telephone Numbers

- For computerized information about your individual pension account 24 hours a day, seven days a week, call our Automated Information System at (609) 292-7524. With Interactive Voice Response and added services — including the loan application — all you need is your Social Security number and membership number to hear personalized benefits information on loans, purchases, retirement benefits, and withdrawal.
- To speak with a representative about your Police and Firemen's Retirement System account or health benefits account, call (609) 292-7524 weekdays between 7:30 a.m. and 4:30 p.m. (except State holidays). If you require the services of a relay operator, please dial 711 and provide the operator with the following number, (609) 292-6683. You will then be connected to a Client Services phone representative for assistance.
- To speak with a plan representative about the New Jersey State Employees Deferred Compensation Plan, call Prudential at 1-866-NJSEDCP (1-866-657-3327) weekdays between 8:00 a.m. and 9:00 p.m. (except State holidays). A plan representative will answer your questions about the Deferred Compensation Plan and provide enrollment and distribution forms.
- To speak with a plan representative about the Supplemental Annuity Collective Trust (SACT), call (609) 292-7524 weekdays between 7:30 a.m. and 4:30 p.m. (except State holidays). SACT representatives will answer your questions about the SACT and provide enrollment and distribution forms.

Internet, E-Mail, and Mailing Address

General information and most publications of the Division of Pensions and Benefits can be found on the Internet at: www.nj.gov/treasury/pensions You can e-mail the Division at: pensions.nj@treas.nj.gov

Our postal address is:

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

On all correspondence, be sure to include your membership number or the last four digits of your Social Security number.

Counseling Services

The Division of Pensions and Benefits offers counseling services to members of the retirement systems and benefit programs. **Counselors are available by appointment** Monday through Friday, 8:00 a.m. to 4:00 p.m. Appointments can be made online at: www.nj.gov/treasury/pensions

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), Trenton, NJ, which is a half-block east of the State House. Visitors must use 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.

Parking: Metered, on-street parking is available in the blocks surrounding our building. Pay parking lots are also available throughout downtown Trenton.

From Northeast New Jersey via the NJ Turnpike

Take the NJ Turnpike South to Exit 7A. Follow I-195 West until it ends, then follow signs for Route 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. Pass the State House and proceed through the next traffic light. Our offices will be on the left at 50 West State Street (One State Street Square).

From Northeast New Jersey via Route 1

Take Route 1 South toward Trenton. Just north of Trenton, Route 1 splits into two 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, turn left onto Warren Street. At the second light, turn right onto West State Street. Our offices are located on the right, just before the next traffic light, at 50 West State Street (One State Street Square).

From Northwest New Jersey

Take Route 31 South to I-95 South to Exit 1 (Route 29). Follow Route 29 South for five miles to the Calhoun Street exit. At the first traffic light, turn right onto West State Street. Pass the State House and proceed through the next traffic light. Our offices will be on the left at 50 West State Street (One State Street Square).

From Southern New Jersey

If using the Turnpike, take Exit 7A and follow the directions from Northeast New Jersey via the NJ Turnpike.

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 four 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. Pass the State House and proceed through the next traffic light. Our offices will be on the left at 50 West State Street (One State Street Square).

From the New Jersey Shore

Take I-195 West, then follow the directions from Northeast New Jersey via the NJ Turnpike.

PLAN INFORMATION

Name of Plan

The Police and Firemen's Retirement System of New Jersey (**PFRS**).

Administration

The PFRS is a defined benefit plan administered by the:

New Jersey Division of Pensions and Benefits
PO Box 295
Trenton, NJ 08625-0295
(609) 292-7524

Provisions of Law

The PFRS was established by New Jersey Statutes and can be found in the New Jersey Statutes Annotated, Title 43, Chapter 16A. Changes in the law can only be made by an act of the State Legislature. Rules governing the operation and administration of the system may be found in Title 17, Chapter 1 and 4 of the New Jersey Administrative Code.

Funding

The funds used to pay benefits come from three sources: employer contributions, employee contributions, and investment income from those contributions. All contributions not required for current operations are invested by the State Division of Investment.

Plan Year

For record keeping purposes the plan year is July 1 through June 30.

Service of Legal Process

Legal process must be served on the Attorney General of New Jersey pursuant to New Jersey Court Rules, R. 4:4-4(7).

Employment Rights Not Implied

Membership in the PFRS does not give you the right to be retained in the employ of a participating employer, nor does it give you a right of claim to any benefit you have not accrued under terms of the system.

Benefits and provisions of the PFRS are subject to changes by the legislature, courts, and other officials. While this booklet outlines the benefit and contribution schedules of the Police and Firemen's Retirement System, it is not a final statement. Complete terms governing any employee benefit program are set forth in the New Jersey Statutes Annotated. Regulations, new or amended, are published in the New Jersey Register by the State Office of Administrative Law supplementing the New Jersey Administrative Code.

POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)

THE RETIREMENT SYSTEM

The State of New Jersey established the Police and Firemen's Retirement System (PFRS) in 1944. The Division of Pensions and Benefits is assigned all administrative functions of the retirement system except for investment.

The PFRS Board of Trustees has the responsibility for the proper operation of the retirement system. The Board consists of two elected police representatives, two elected fire representatives, one elected retired member representative, the State Treasurer, and five individuals appointed by the Governor with the advice and consent of the Senate. The Board meets once a month. A PFRS member who wishes to be a candidate upon a vacancy for the PFRS Board of Trustees must be nominated by petitions bearing the signatures of 500 active members in the case of a police trustee, 300 active members in the case of a fire trustee, and 100 retired members in the case of a retired member trustee. Nominating petition forms, together with instructions for filing, are available upon written request to the *Secretary of the PFRS Board of Trustees, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295*.

The purpose of this handbook is to provide you with information about the retirement system to assist you in making decisions concerning you and your family's future. If you have questions concerning your retirement system benefits, please see **page iii** for information on contacting the Division of Pensions and Benefits.

This handbook is available for viewing on the Division of Pensions and Benefits Web site: www.nj.gov/treasury/pensions While at the Division's home page, be sure to check for PFRS related forms, fact sheets, and news affecting the PFRS.

MEMBERSHIP

Membership in the PFRS is required for permanent, full-time employees appointed to positions in law enforcement or fire fighting in the State of New Jersey.

PFRS Membership Tiers

N.J.S.A. 43:16A-1, changed compensation and retirement criteria for PFRS members enrolled as of certain dates. These differences in PFRS membership — referred to as “membership tiers” — are defined as follows:

- **Membership Tier 1** — PFRS Members who were enrolled *on or before* May 21, 2010.
- **Membership Tier 2** — PFRS Members who were enrolled *after* May 21, 2010 and *on or before* June 28, 2011.
- **Membership Tier 3** — PFRS Members who were enrolled *after* June 28, 2011.

Unless otherwise indicated by membership tier, the benefits listed in this handbook are the same for all PFRS members.

Eligibility Criteria

Eligibility in the PFRS is determined by:

- Your job title;
- Your age;
- Your health; and
- Successful completion of approved training courses.

Please note that:

- Municipal employees in eligible job titles who do not meet the age and/or medical requirements for membership in the PFRS are ineligible for enrollment in the PFRS or *any other* State-administered retirement system.
- State and county employees in eligible PFRS titles, who do not meet the age and/or medical requirements, are eligible to enroll in the Public Employees' Retirement System (PERS) and possibly, depending on job title, as Law Enforcement Officers (LEO) in the PERS.

Eligible Job Titles

A new employee hired as a permanent, full-time law enforcement officer (police officer) or firefighter in an eligible PFRS job title or classification (who also meets the age, medical, and training criteria for membership) must be enrolled in the PFRS.

Because the list of the PFRS eligible job titles changes periodically, an updated list of civil service and non-civil service PFRS titles is available on the Division of Pensions and Benefits Web site at: www.nj.gov/treasury/pensions/pfrs1.shtml

If a job title is not found on the list and an employee or employer of a law enforcement unit or firefighting unit believes that the employee's duties meet the definition of "police officer" or "firefighter," the employee or employer may file an application for membership in the PFRS with the Director of the Division of Pensions and Benefits, stating in detail, the basis for the belief that the position qualifies as a police officer or firefighter title. The Division will review the application and determine whether the employee meets the definition of "police officer" or "firefighter" and then make a recommendation to the PFRS Board of Trustees as to whether the employee's title should be included as an eligible title in the system.

Fact Sheet #78, *Requirements for Review of a Title for Participation in the PFRS*, provides instructions for initiating a title review.

If, after considering the recommendation of the Division, the Board determines that the position meets the definition of "police officer" or "firefighter" the Board will publish a notice in the New Jersey Register proposing to include the position in the retirement system. Interested parties will be given 30 days to comment on the proposal.

If the Board determines that the employee does not meet the definition of "police officer" or "firefighter," the employee will be offered an opportunity for a hearing.

Training Requirements

For a position to be eligible for participation in the PFRS it must include the mandate that a candidate for the position successfully complete specific training requirements.*

- Police officers enrolled in the PFRS must be certified in the basic training course for police officers as prescribed by the Police Training Commission (PTC).
- Correction officers enrolled in the PFRS must be certified in the basic training course for correction officers as prescribed by the Police Training Commission (PTC).
- County investigators enrolled in the PFRS must be certified in the basic training course for county investigators as prescribed by the Police Training Commission (PTC).
- Firefighters enrolled in the PFRS must complete and receive Firefighter 1 certification through the New Jersey Department of Community Affairs, Division of Fire Safety.

Medical Requirements

There are medical requirements for acceptance into the PFRS. When you apply for membership, you must have a medical examination to determine if you satisfy these requirements. The examination should be documented by the department physician, another physician designated by the employer, or if required, a physician designated by the retirement system. This medical documentation should be retained by the employer for future reference.

Age Requirements

Current law prescribes a maximum age for entry into the PFRS. Employees must not be one day past their 35th birthday to qualify for enrollment.

Determining the age for entry in the PFRS may vary between Civil Service and non-Civil Service jurisdictions. All employees covered by:

- **Civil Service (Title 11)** — whether State, county, or municipal — candidates cannot be past their 35th birthday as of the announced closing date of the Civil Service examination. Those candidates meeting the age requirements at that time will be considered as having met the maximum age requirement for the duration of the ensuing Civil Service Eligibility List from which appointments may be made.
- **Non-Civil Service** — primarily municipal — employees cannot be one day past their 35th birthday as of their official date of hire.

*Prescribed in N.J.S.A. 43:16A-1 and 52:17B-66 et seq.

There are certain **exceptions** to the maximum age requirement:

- **Military Service** — Once you have met the definition of a veteran for pension purposes, certain periods of military service may be used on a one-for-one basis to “reduce” one’s age for entry. Only that period of service in the area of conflict may be subtracted from an individual’s age for PFRS eligibility purposes. The Department of Military and Veterans Affairs is the only agency to verify eligible foreign and sea service for purposes of determining if any service qualifies to reduce age in PFRS. Such military service must have occurred during the:
 - Panama Peacekeeping Mission, December 20, 1989 to January 31, 1990
 - Operation Desert Shield/Storm – August 2, 1990 to February 28, 1991
 - Operation Restore Hope in Somalia – December 5, 1992 to March 31, 1994
 - Operations Joint Endeavor/Joint Guard-Republic of Bosnia and Herzegovina – November 20, 1995 to June 20, 1998
 - Operation Enduring Freedom – September 11, 2001 to present
 - Operation Iraqi Freedom – March 19, 2003 to present

The prospective member must have served at least **14 days** in the country or region or on ships patrolling in the territorial waters of these nations.

- If the start of the member's service began *on or after* the beginning date of the war era, veteran status will be granted as long as any one of the 14 days of service fell on or within the dates listed above.
- If the start of the member's service was *prior to* the beginning date of the war era, then the member must have served all 14 days in the area within the dates specified for the conflict in order to be considered a veteran.

The 14-day requirement for service can be waived if the veteran was discharged because of a service-incurred disability.

Absent Without Leave (AWOL) status must be deducted from active service and if this reduces the active service to less than the 14-day service requirement, consideration will be denied.

- **Prior Police Service** — In order to meet the maximum age requirement of 35 years for the position of a municipal police officer — a former State trooper, sheriff’s officer or deputy, county or municipal police officer, SEPTA, Delaware River Port Authority, Burlington County Bridge Commission, or Amtrak police officer is permitted to use that previous service to reduce actual age. Prior experience in federal law enforcement agencies or law enforcement agencies of other states would also qualify to reduce a candidate’s age for the position of municipal police officer. No person may be appointed over the age of 45 except for those who were previously terminated involuntarily (laid-off, or part of a reduction-in-force) from their former employment or if they return to employment from a disability retirement.

Volunteer Firefighters

While volunteer firefighters may be appointed to paid positions within part-paid fire departments up to age 40 (N.J.S.A. 40A:14-44), any such firefighter over age 35 is eligible for enrollment in the Public Employees' Retirement System (PERS), but not the PFRS.

Candidates Who Exceed the Age Limit

Individuals employed by the **State or County** who exceed the maximum age requirement in the PFRS, but who are otherwise eligible for the position, must establish membership in the PERS immediately upon being permanently appointed to the title.

Individuals seeking employment with a **municipality** in an eligible PFRS title, who are over age 35 on the date of hire, even after any "reductions in age" have been taken into account, *cannot* establish membership in any State-administered retirement system. **Since enrollment in the PFRS is a condition of employment, these individuals cannot be hired.**

Part-time Employees

"Part-time" officers were previously enrolled into the PERS if they were otherwise eligible for enrollment pursuant to N.J.A.C. 17:2-2.8. Those hired after May 21, 2010 who work below the number of hours required for PERS Tier 4 or 5 membership (35 hours for State locations or 32 hours for local government locations), can only be enrolled in the Defined Contribution Retirement System (DCRP), not the PERS.

ENROLLMENT

Enrollment/Certification of Payroll Deductions

Your employer must complete an *Enrollment Application* through the Employer Pensions and Benefits Information Connection (EPIC). Online enrollments are processed immediately by the Division of Pensions and Benefits. You and the employer receive a confirmation that includes your PFRS membership number.

The PFRS date of enrollment for employees in a regular classified appointment that is covered by Civil Service, **or** a regular budgeted position not covered by Civil Service, is the first of the month* following successful completion of required police or firefighter training.

Employees in unclassified service are considered to begin service as of the date of employment with a compulsory PFRS enrollment date the first of the month following successful completion of required police or firefighter training.

Enrollment usually takes about two months to process. When enrollment processing is complete, you and your employer will receive a *Certification of Payroll Deductions* showing the date pension deductions will begin, your rate of contribution, and any back deductions due.

You may wish to keep the *Certification of Payroll Deductions* on file with your other important papers as a record of your enrollment in the retirement system.

*First day of the following biweekly pay period if the employee is paid through State Centralized Payroll.

Proof of Age

All members of the PFRS must provide documentation that proves their age.

Acceptable evidence of your age includes a photocopy of:

- Birth certificate — with visible seal;
- Passport;
- A current digital New Jersey Driver License or Digital Non-driver ID Card issued by the N.J. Motor Vehicle Commission;
- A current digital Pennsylvania or New York Driver License;
- Naturalization or immigration papers.

You should forward evidence of your proof of age to your employer. For more information about PFRS age requirements see page 3.

Unacceptable documentation includes expired documentation, out-of-state driver licenses (except PA and NY), hospital birth certificates, marriage certificates, census records, baptismal records, affidavits from older family members, or military records indicating your age.

Designating a Beneficiary

When the *Enrollment Application* is submitted, the new member should also submit a *Designation of Beneficiary* to the Division of Pensions and Benefits.

- **Members must register for the Member Benefits Online System (MBOS) and complete the *Designation of Beneficiary* online.** Your PFRS membership number is required and is included in the confirmation of an online enrollment and in the *Certification of Payroll Deductions*. 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

See **page iii** for more information about registering for MBOS.

Note: *The new member's estate is the beneficiary on record until the Division of Pensions and Benefits receives a properly completed designation.*

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

Public Information and Restrictions

Most of the information maintained by the retirement system, including member salary and/or pension benefit information, is considered a public record under N.J.S.A. 47:1A-1 et seq., the Open Public Records Act. However, certain personal information, such as a member's address, telephone number, Social Security number, pension membership numbers, beneficiary information while member is living, and medical information is restricted from public access.

Further restrictions to “personal health information” exist under the privacy provisions of the federal Health Insurance Portability and Accountability Act (HIPAA). Members may be required to provide specific written authorization for the release of medical information to a third party who is not a doctor, hospital, or business partner of the Division or the health benefit programs. Information about HIPAA is available on the health benefits programs’ Web site: www.nj.gov/treasury/pensions/health-benefits.shtml

The Division has implemented additional protection for members in accordance with the New Jersey Identity Theft Prevention Act, N.J.S.A. 56:11-28 et seq. “Security Freeze” procedures are available to restrict access to the accounts of members who are, or have a serious risk of becoming, victims of identity theft. Additional information is available in Fact Sheet #72, *Identity Theft and Your Benefits*.

Member Contribution Rate

The PFRS member contribution rate is **10%** of base salary.

This is also the minimum repayment amount required for pension loans or for the cost of a purchase of service credit for repayments certified after June 28, 2011.

Pensionable Salary — The contribution rate is applied to your base salary to determine your pension deductions. Base salary means the annual compensation of the member in accordance with the established salary policies of the member’s employer for all employees in the same position, or all employees covered by the same collective bargaining agreement. Base salary is paid in regular, periodic installments in accordance with the payroll cycle of the employer.

- The PFRS contribution rate for **Tier 1** members enrolled *on or before* May 21, 2010, is applied to the full pensionable salary (up to the “federal pensionable maximum” described later in this section).
- The PFRS contribution rate for **Tier 2** and **Tier 3** members enrolled *after* May 21, 2010, is applied to the pensionable salary up to a compensation limit based on the annual maximum wage for Social Security deductions. Tier 2 and Tier 3 members who earn in excess of the annual compensation limit will be enrolled in the Defined Contribution Retirement Program (DCRP) in addition to the PFRS. A contribution of 5.5% of the salary in excess of the limit (plus 3% from the employer) will be forwarded to a DCRP account (see page 23).

Extra compensation is not included in base salary. Extra compensation means individual salary adjustments granted primarily in anticipation of retirement or as additional compensation for performing temporary duties beyond the regular workday. Extra compensation includes but is not limited to overtime, bonuses, lump-sum longevity, vacation pay, holiday pay, and compensation not included in normal routine paychecks (for more information, see Fact Sheet #56, *Creditable Compensation - PFRS*).

Federal Pensionable Maximum — Since the PFRS is a “qualified” pension plan under the provisions of the Internal Revenue Code, Section 401(a)(17), the current federal ceiling on pensionable compensation applies to the base salaries of PFRS members.

Tax Deferral — Since January 1987, all mandatory pension contributions to the PFRS have been federally tax deferred. Under the 414(h) provisions of the Internal Revenue Code this reduces your gross wages subject to federal income tax. Purchases of service credit are voluntary pension contributions and are not tax deferred unless funded by a rollover from another tax-deferred plan (see “Rollover for Purchase Payment” on page 18).

DUAL MEMBERSHIP

You are considered a **dual member** if you are a member of more than one New Jersey State-administered retirement system at the same time.

EXAMPLE: *If you are a county corrections officer enrolled in the PFRS and a part-time municipal administrative assistant enrolled in the Public Employees' Retirement System (PERS), you are a dual member.*

When establishing dual membership, *Enrollment Applications* are filed by each employer with the different retirement systems.

A dual member's contributions and service credit are kept separate.

Benefits for a dual member are paid separately from each retirement system in the event of retirement, death, or withdrawal.

A dual member may also retire from one retirement system and remain an active contributing member of the second retirement system, except Alternate Benefit Program (ABP) and Defined Contribution Retirement Program (DCRP) members.

TRANSFERS

Intrafund Transfer

An Intrafund Transfer is the transfer of your account from one PFRS employer to another PFRS employer.

If you terminate your current PFRS position and accept a PFRS position with a different employer, you are eligible to transfer your PFRS account and maintain your original PFRS membership tier status provided:

- You have not withdrawn your membership (see “Withdrawal from the Retirement System” on page 50);
- It has not been more than two consecutive years since your last pension contribution; and
- You meet the eligibility requirements of PFRS membership with the new PFRS employer.

If you meet the criteria listed above, your new employer should file a *Report of Transfer* form with the Division of Pensions and Benefits.

Note: *PFRS members who are serving with a law enforcement unit or firefighting unit and receive an appointment to an administrative or supervisory position with the same department or the police or fire department of any other municipality are permitted to continue their PFRS membership in the new administrative or supervisory capacities. To be eligible for this continued PFRS membership, the appointment to the position must occur within six months of your last PFRS contribution.*

- **If there has been a break in service of more than two consecutive years** since your last pension contribution, you cannot continue contributions under your prior PFRS membership. The new employer should submit an *Enrollment Application* through EPIC with the Division of Pensions and Benefits. You will be enrolled in a new PFRS account under the membership tier in effect at the time you return to PFRS employment.
- **If you are vested in your prior, inactive PFRS account (see “Vesting” on page 10)**, you may be eligible for a transfer of your old membership account to your new membership account. This type of transfer is called a “Tier-to-Tier Transfer” and is completed by submitting a *Tier-to-Tier Transfer Form*. **It is important to note** that by completing a Tier-to-Tier Transfer **you waive all rights** to retirement benefits as provided under the original, inactive membership tier.
- **If you are not vested in your prior, inactive PFRS account**, you may withdraw your contributions (see “Withdrawal from the Retirement System” on page 50).
- **If you have withdrawn your prior PFRS account**, whether you have a break in service of more than two consecutive years or not, the new employer should file an *Enrollment Application* with the Division of Pensions and Benefits and you will be enrolled in a new PFRS account under the membership tier in effect at the time you return to PFRS membership. The service credit under the prior, inactive membership may then be eligible for purchase as Former Membership.

Interfund Transfer

An Interfund Transfer is the transfer of your account from a PFRS employer to employment covered by a different New Jersey State-administered defined benefit retirement system (or vice versa).

If you terminate your current PFRS covered position and accept a position covered by a different New Jersey State-administered retirement system, you may transfer your contributions and service credit to the new retirement system provided:

- You have not withdrawn your membership (see “Withdrawal from the Retirement System” on page 50) or retired from the PFRS;
- It has not been more than two consecutive years since your last pension contribution;
- You are not a dual member with any concurrent service in any other retirement system (see the definition of a “dual member” on page 8);
- You meet the eligibility requirements of the new retirement system; and
- You apply for the Interfund Transfer within 30 days of the date you meet the eligibility requirements of the new retirement system.

If eligible, in order to transfer your membership account, an online *Enrollment Application* for the new retirement system **and** an *Application for Interfund Transfer* should be submitted by your employer to the Division of Pensions and Benefits. Applications must be received within 30 days of the date you meet the eligibility requirements of the new retirement system.

If you are vested in the PFRS (see “Vesting” on page 10), you should determine if it is more advantageous to select a Deferred Retirement from the PFRS or transfer your pension contributions and service credit to the other retirement fund.

If there has been a break in service of more than two consecutive years since your last pension contribution — or if you have withdrawn your account — you cannot transfer your prior PFRS contributions and service credit to the new retirement system. You will be enrolled in a new account with the new retirement system. Your new employer should file an *Enrollment Application* for the new retirement system with the Division of Pensions and Benefits.

SERVICE CREDIT

Since retirement benefits are based in part on accumulated service credit, it is important that you receive the correct amount of credit for the amount of time you work.

- Monthly employees receive one month of service credit for each month a full pension contribution is made.
- Employees whose employers report service and contributions biweekly will receive one pay period of service credit for each pay period a full pension contribution is made.

VESTING

You are vested in the PFRS after you have attained 10 years of service credit.

Being vested in the PFRS means that you are guaranteed* the right to receive a retirement benefit when you reach age 55.

- If you are vested and terminate your employment, you must file a retirement application prior to receipt of any benefits for which you may qualify (see page 24 for the types of retirement including Deferred Retirement) or you may voluntarily withdraw from the retirement system (see page 50).
- If you are vested, terminate your employment without retiring or withdrawing, and return to covered employment within two consecutive years of the last pension contribution, you may continue to make contributions to — and accrue service in — the existing pension account.
- If you are vested, terminate your employment without retiring or withdrawing, and return to covered employment two or more years *after* the last pension contribution, you cannot resume contributions to the vested account. Instead — if eligible — you would be enrolled in a new PFRS account.
- If you are not vested and you terminate employment before retiring, your options vary depending on the nature of your termination and/or your age at the time of your termination (see “Terminating Employment” on page 50).

*Vesting provisions may not apply to PFRS members who are terminated for cause on charges of misconduct or delinquency (see page 39).

CREDIT FOR MILITARY SERVICE AFTER ENROLLMENT

The federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) provides that a member who leaves employment to serve on active duty is entitled to certain pension rights upon return to employment with the same employer. If upon return — and within the time frames specified under USERRA — the member makes the pension contributions that would have been normally required, the military service will count for vesting, retirement *eligibility*, the *calculation* of the retirement benefit, and — if applicable — health benefits eligibility, as though the employee had not left.

When an employee returns from uniformed military service to PFRS covered employment, the employer should notify the Division of Pensions and Benefits no later than 30 days after the employee's return by submitting a *Request for USERRA-Eligible Service* form. Once notified, the Division will provide the employee with a quotation for the cost of purchasing the service credit.

There is a time sensitive element to the USERRA purchase which differs from the other purchase of service credit provisions available to PFRS members. For additional information, see Fact Sheet #36, *Military Service after Enrollment and USERRA*.

PURCHASING SERVICE CREDIT

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 help you to purchase additional service credit if you are eligible to do so.

Only active members of the retirement systems are permitted to purchase service credit. An active member is one who has not retired or withdrawn, and who has made a contribution to the retirement system within two consecutive years of the purchase request.

In no case can you receive more than one year of service credit for any calendar or fiscal year. A **dual member** (see page 8) cannot purchase concurrent service from any other retirement system.

TYPES OF SERVICE ELIGIBLE FOR PURCHASE

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

Temporary Service

Members may be 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.

- Members are allowed to purchase temporary service rendered under a former account.
- Members are not allowed to purchase service as a Special Police Officer.

Leave of Absence Without Pay

Members may be eligible to purchase credit for time spent on official, authorized leaves of absence without pay (up to two years for personal illness; up to three months for personal reasons).

- Maternity leave is considered personal illness.*
- Child care leave is eligible for purchase as a leave for personal reasons.
- A leave of absence without pay under a former membership in a New Jersey State-administered retirement system may be eligible for purchase.

Former Membership Service

Members may be eligible to purchase service credited under a previous membership (PERS, TPAF, PFRS) which has been terminated after two consecutive years of inactivity in accordance with statute or by withdrawal by the member of the contributions made under such membership.

Out-of-State Service

Members may be eligible to purchase up to 10 years of public employment rendered in any state, county, municipality, school district, or public agency in another state 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 out-of-state public pension fund.

U.S. Government Service

Members may be eligible to purchase up to 10 years of credit for civilian service rendered with the United States government if the public employment would have been eligible for credit 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

Members may be eligible to purchase up to 10 years of active-duty military service rendered prior to enrollment provided the member is not receiving or eligible to receive a military pension or a pension from any other state or local source for such military service.

Active military service eligible for purchase means full-time duty in the active military service of the United States and includes full-time training duty, annual training duty, and attendance, while in the active military service, at a school designated as a service school by law or by the Secretary of the military department concerned. It cannot include periods of service of less than 30 days. It does not include weekend drills or annual summer training of a national guard or reserve unit.

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

Active military service that has been combined with reserve component service to qualify for a military pension as a reserve component member may be eligible for purchase.

If you qualify as a veteran, you may be eligible to purchase an additional five years of military service (see "Important Purchase Notes" on page 14).

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 (see page 11). However, USERRA eligible service will only be used to determine *eligibility for* benefits. The *calculation* of retirement benefits will not use USERRA eligible service unless the employee pays the required pension contributions for the period of military service.

Note: There is a time sensitive element to this purchase (see page 11 and Fact Sheet #36, Military Service after Enrollment and USERRA).

Uncredited Service

Members may be eligible to purchase regular employment with a public employer in New Jersey for which the member did not receive service credit but which would have required compulsory membership in the retirement system at the time it was rendered.

Employment with Other Agencies

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 be eligible to purchase a maximum of three years of such service upon your return to covered employment. Such agencies include:

- 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 police management.

Layoff

Members of the 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, may be eligible to purchase up to three years for the time period in which the member was laid off. The member must currently 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.

Local Retirement System Service

Members may be eligible to purchase service established under a local retirement system in New Jersey. Purchase is not permitted if you are receiving retirement benefits from that public pension fund.

IMPORTANT PURCHASE NOTES

- 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 military veteran (see page 4), you may be eligible to purchase an additional five 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).
- To qualify for an Ordinary Disability Retirement, PFRS members need 4 years of New Jersey service; therefore, the purchase of U.S. Government, Out-of-State, or Military Service cannot be used to qualify for this type of retirement.
- Purchases of service credit are voluntary pension contributions and are not tax-deferred unless funded by a rollover from another tax-deferred plan (see “Rollover for Purchase Payment” on page 18).

COST AND PROCEDURES FOR PURCHASING SERVICE CREDIT

You can receive an *estimate* of the cost of purchasing service credit by calling the Automated Information System at (609) 292-7524 or by using the online Purchase Calculator on the Member Benefits Online System (MBOS). See **page iii** for more information about registering for MBOS.

The cost of a purchase is based on four factors:

- A purchase factor based on your nearest age at the time the Division receives your purchase application (see chart on page 16);
- The higher of either your current annual salary or highest fiscal year salary (July - June) posted to your membership account (except for layoff purchase);
- The years and months of service being purchased; and
- The type of service purchased.

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

The cost of purchasing service is borne by both you and the participating employers with the important exceptions of Military Service, U.S. Government Service, Local Retirement System Service, Layoff, and Employment with Other Agencies — where statute specifically provides that the employer shall not be liable for any costs of the purchase. If you purchase U.S. Government Service, Military Service before Enrollment, Local Retirement System Service, Layoff, or Employment with Other Agencies, you, as the member, are responsible for the full cost; therefore, the cost quoted to you for purchasing these types of service will be twice the cost for other types of purchase.

Purchases of service credit are voluntary pension contributions and are not tax-deferred unless funded by a rollover from another tax-deferred plan (see “Rollover for Purchase Payment” on page 11).

Partial Purchases

You may purchase all or part of any eligible service. If you make a partial purchase, you may purchase any remaining eligible service at a later date. The cost of any later purchase will be based upon your age and the annual salary or highest fiscal year salary at the time of your subsequent request to purchase.

Estimating the Cost of a Shared Cost Purchase

To estimate the cost of a purchase, multiply the higher of your current annual salary or highest fiscal year salary times the purchase factor (see chart on page 16) corresponding to your nearest age. The result is the cost of one year of service. Multiply this cost by the appropriate number of years being purchased. This procedure can be used for calculating the cost of Temporary Service; Former Membership; Leaves of Absence; Military Service after Enrollment,* Uncredited Service; and Out-of-State Service.

To calculate the purchase cost of Military Service before Enrollment, U.S. Government Service, Local Retirement System Service, or Employment with Other Agencies the same procedure is used except the resulting cost is doubled.

For Layoff Service use the annual salary for the 12 months prior to the layoff and double the resulting cost.

EXAMPLE: Member, age 45, earning \$60,000 a year, wishes to purchase 18 months Temporary Service: Purchase Factor (from chart) = 0.102150

$$\begin{array}{r r c r r c r r c r} \text{Purchase Factor} & \times & \text{Annual Salary} & \times & \text{Time Being Purchased} & = & \text{Purchase Cost} \\ 0.102150 & \times & \$60,000 & \times & 1.5 \text{ years} & = & \$9,193.50 \end{array}$$

If the same member were to purchase 18 months of Military Service, the Purchase Cost would be \$18,387 (twice the amount of the Temporary Service).

An online Purchase Cost Calculator and additional purchase of service credit resources are available on the Division of Pensions and Benefits Web site at: www.nj.gov/treasury/pensions

***Note:** The cost of purchasing Military Service After Enrollment under USERRA (see page 11) is based on the required pension contributions for the period of military service.

Purchase Rate Chart

<u>Age</u>	<u>Purchase Factor</u>	<u>Age</u>	<u>Purchase Factor</u>
33 (and under)	0.075000	50	0.120350
34	0.076016	51	0.120798
35	0.077350	52	0.121323
36	0.078913	53	0.121923
37	0.080704	54	0.122600
38	0.082724	55	0.123353
39	0.084973	56	0.124181
40	0.087450	57	0.125086
41	0.090109	58	0.126067
42	0.092926	59	0.127124
43	0.095880	60	0.128257
44	0.098957	61	0.129466
45	0.102150	62	0.130751
46	0.105461	63	0.132113
47	0.108902	64	0.133550
48	0.112501	65 (and older)	0.135000
49	0.116298		

Applying to Purchase Service Credit

All purchase requests must be submitted using the *Purchase Application* program of the Member Benefits Online System (MBOS).

See page iii for more information about registering for MBOS.

Exceptions to the MBOS Purchase Application — While PFRS members are required to submit purchase requests through MBOS, members are not able to use MBOS for the following reasons:

- Members applying for a purchase **fewer than 30 days before their retirement date or Board of Trustees approval date**. The member must request a paper *Purchase Application* by e-mailing: pensions.nj@treas.nj.gov An application will be provided upon verification of the Board or retirement date status. Members without a valid board or retirement date will be instructed to apply using MBOS.
- Members applying for the purchase of **Military Service after Enrollment** under the provisions of USERRA. To purchase this service the employer must submit the *Request for USERRA Eligible Service* form within the time frames required under the law (see page 11).

Upon receipt of your MBOS *Purchase Application* — and any required supporting documentation — a quotation of cost will be calculated provided that all purchase eligibility criteria are met. Processing times vary and a request cannot be completed until the Division receives all required verification of eligibility. It is the member's responsibility to obtain certification of employment from a former employer for the purchase of Out-of-State or U.S. Government Service.

After the Division of Pensions and Benefits verifies employment, you will receive a *Purchase Quotation Letter* indicating the cost of any service approved for purchase. You must respond to the quotation letter within the specified time period.

When you agree to purchase a certain amount of service credit, the Division of Pensions and Benefits assumes that you will complete the purchase and credits your account with the entire amount of service, even if you are paying the cost through payroll deductions. Any estimates of retirement allowance you receive are based on the full amount of credit you agreed to purchase.

You may pay the cost of purchasing service credit:

- In one lump-sum payment;
- By having extra payroll deductions withheld from your pay. The minimum deduction is equal to one-half of your normal rate of contribution to the retirement system over a maximum period of 10 years and includes interest based on the assumed rate of return of the retirement system;
- By paying a single 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 plan (see page 18).

If you retire before completing a purchase, you may choose to receive prorated credit for the amount of service you have paid for, or you can pay the balance at the time of retirement to receive full credit (see *Unsatisfied Balances*, page 33).

A member who authorizes a purchase of service credit through payroll deductions may cancel those deductions at any time. No refunds will be made of any lump-sum payments, partial payments, or installment payments. The member will receive prorated service credit for the service purchased to the date installment payments cease. Any subsequent requests to purchase the remaining service credit shall be based on the laws and rules in effect on the date that the subsequent request is received.

If you have an outstanding arrears obligation for the purchase of additional service credit, interest may be assessed if there is a lapse of two years or more in payments toward the purchase.

If you have not made installment payments for the purchase of additional service credit in two years, your purchase will be canceled. You will receive pro rata credit for the service purchased to the date that the installment payments ceased. Any subsequent requests to purchase the remaining service credit shall be based on the laws and rules in effect on the date the subsequent request is received in the Division.

If you return from an approved leave of absence after two years, you may request that the original purchase be resumed. The purchase will be recalculated to include additional regular interest accrued between two years after the date of the last installment payment and the date the purchase is resumed.

Rollover for Purchase Payment

Members may pay for all or part of a purchase by transferring or rolling over tax-deferred funds from an eligible or qualified retirement savings plan. The types of plans from which a transfer or rollover can be made are:

- 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 have been open for two or more years)
 - 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).

Additional information on requesting a transfer or rollover of tax-deferred funds for the purchase of service credit is included in the purchase cost quotation letter you receive upon the Division's determination of your eligibility to purchase service.

LOANS

If you are an active contributing member of the PFRS, you may be eligible to borrow from your pension account.

Loans are governed by the following conditions:

- **Service Credit** — You must have three years of pension service credit **posted** to your retirement system account. Pension contributions are posted to your account on a quarterly basis. It normally takes 45 days after the end of a quarter for your contributions to be posted to your account. For example, if you enrolled in the retirement system on January 1, 2015, you would not have three years posted to your account until March 2018.
- **Number of Loans Per Year** — You may borrow twice in any calendar year. This is determined by the date of the check, not the date of the request. For example, if you make a request for a loan on December 24th but the check is dated January 5th, the loan is considered your first for the new year.
- **Loan Amount** — The minimum amount you may borrow is \$50, and loan amounts then increase in increments of \$10.

The maximum you may borrow is one-half of your contributions that are posted to your account, up to a maximum loan balance of \$50,000, whichever is less, when added to the highest balance of any loan in the last 12 months.

You may learn the amount you may borrow, see different loan amount and repayment combinations, and apply for a loan by using the online *Loan Application* on the Member Benefits Online System (MBOS), or by calling the Automated Information System at (609) 292-7524.

- **Interest Rate** — Interest is charged on the declining balance of the loan at a commercially reasonable rate set annually by the New Jersey State Treasurer. The current interest rate is posted on the Division of Pensions and Benefits Web site at: www.nj.gov/treasury/pensions

When you borrow, you will have the same interest rate for the life of your loan unless you borrow again after the interest rate has changed. Every time you borrow, the *entire* outstanding balance is re-certified at the current year's interest rate.

The interest rate is determined using the Prime Rate as of December 1st of the previous year **plus** 2.5%.

- **Administrative Fee** — An administrative processing fee applies to all pension loans. The administrative processing fee is set annually and is based on the actual costs associated with administering the pension loan program. The current administrative processing fee is posted on the Division of Pensions and Benefits Web site at: www.nj.gov/treasury/pensions

- **Loan Repayment** — **Loans must be repaid within five years.** The minimum deduction toward the repayment of a loan is equal to the pension contribution rate of 10% for PFRS members. The maximum allowable deduction at the time of application toward the repayment of your loan is 25% of your base salary.

Provided that the minimum loan repayment amount will repay the loan balance within five years, the repayment amount of a loan will be similar whether you borrow \$500 or \$5,000; however, the repayment of a larger loan will continue for a longer period of time than for a smaller loan.

Loan repayments will increase to more than the minimum deduction if the entire loan balance cannot be paid within the five-year requirement (or if you have an outstanding loan and take another loan — see below).

If you have an outstanding loan balance and take another loan, **the new combined loan balance must be repaid within five years of the date of the *first* loan.** This means that the repayment amount may be substantially higher to ensure full repayment of the total loan balance within five years of the issuance of the original loan. Furthermore, the requested loan amount may be reduced, or the loan request may be rejected, if the payroll deductions required to repay the loan within this five-year period would exceed the 25% of salary restriction in State law.

You may learn the minimum deduction toward the repayment of a loan by using the online Loan Application on the Member Benefits Online System (MBOS), or by calling the Automated Information System at (609) 292-7524.

Applying for a Loan

All pension loan requests **must** be submitted using either:

- The *Loan Application* available by calling the Automated Information System at (609) 292-7524; or
- The *Loan Application* program of the Member Benefits Online System (MBOS).

Both the Automated Information System and MBOS provide fast, efficient processing of pension loan requests. You receive immediate confirmation that your loan application has been received.

See **page iii** for more information about registering for MBOS.

Exceptions to the MBOS Loan Application — While members are required to process loan requests through MBOS or the Automated Information System, some members may not be able to access the *Loan Application* for one of the following reasons:

- Members applying for a loan within 6 months of returning from a leave of absence;
- Members applying for a loan within 6 months of transferring to a new employer within the same retirement system, or between different retirement systems; or
- State employees who are paid on a supplemental payroll schedule.

In these cases your employer must complete a *Certified Loan Request Form* to verify your salary and/or certify that you are actively employed.

- If your employer was late in submitting the *Report of Contributions* for the quarterly posting, you may still be able to borrow, however, your employer must complete a *Certified Loan Request Form* to verify your salary, active pay status, and you may only borrow based on the prior quarter's posted pension contributions.
- If you have established a security freeze on your pension account due to identity theft, you cannot access MBOS and must contact the Division's Identity Theft Coordinator to request a loan (for more information see Fact Sheet #72, *Identity Theft and Your Benefits*).

Please note that these are the **only** circumstances where paper loan requests are permitted.

Canceling a Loan

If you are not satisfied with a loan amount or the repayment schedule when you receive your loan check, you may cancel the loan by **returning the original, uncashed and unmarked loan check**. When a loan check is returned, the funds are deposited back into your retirement system account and will be available with the next quarterly posting.

Note: By cashing the loan check you are agreeing to the loan amount and the terms and conditions of the repayment schedule.

Early Loan Repayment

You may request a repayment figure for your full loan balance any time prior to the end of your regular repayment schedule. Only a lump-sum payoff of your full loan balance is permitted — partial payments are not allowed.

To request a lump-sum payoff, contact the Division's Office of Client Services at (609) 292-7524, or e-mail: pensions.nj@treas.nj.gov and request a *Loan Payoff Letter*. Be sure to include your name, address, and pension membership number or Social Security number in your request. The *Loan Payoff Letter* will indicate the lump-sum payoff amount, the date by which the payment must be received, and the date on which scheduled loan repayments from payroll will end.

Loans at Retirement, Death, or Termination of Employment

You may apply for a loan regardless of your age. If you retire before repaying the outstanding balance of your loan, your loan payments will be carried into retirement. That is, your retirement allowance will be reduced by the same monthly amount you were paying towards your loan just prior to retirement. Remember, all loan balances, including interest, must be satisfied within five years of the original loan date.

You may also repay your outstanding loan balance in one lump sum prior to retirement.

If you die before repaying your loan (either before or after retirement), the outstanding balance will be deducted from the proceeds of any benefits to be paid to your beneficiaries.

If you terminate employment and withdraw your contributions before repaying your loan, all your contributions *less* the loan balance will be returned to you (see "Internal Revenue Service Requirements" below).

Internal Revenue Service (IRS) Requirements

Internal Revenue Code Section 72(p) requires that loan balances cannot exceed \$50,000 and must be repaid within five years. Furthermore, if you take a subsequent loan (or loans) and your original loan balance is not completely paid off, the repayment period will remain **five years from the date of the first loan**. The repayment rules on subsequent loans may result in either a substantial increase in your repayment amount — or may even limit the amount that you can borrow if the payroll deductions to repay the loan exceeds the 25% of base salary restriction on loan repayments.

The IRS regulations also require members to make timely payments toward outstanding loan balances. While it is your employer's responsibility to withhold loan deductions from your salary, if you are out of work without pay, your employer has no salary from which to take deductions. Members who leave payroll with an outstanding loan balance will be notified after three months of nonpayment and offered the option of paying off the entire loan balance or making loan repayments through a monthly personal billing. You will be required to pay your loan balance plus interest if you go off payroll. Again, the loan balance must be paid within five(5) years of the original loan. It is the member's responsibility to ensure that the loan balance is paid in full in accordance with IRS regulations.

Failure to repay the loan as scheduled (through either lump-sum payment, personal billing, or return to payroll) will result in the unpaid loan balance being declared in default. If a loan is in default, the loan balance is declared a taxable or “deemed distribution” and will be reported to the IRS. For the tax year in which the default occurs, the Division of Pensions and Benefits will send you a *Form 1099-R* for tax filing purposes in January of the following year. You will be required to include the portion of the loan representing before-tax contribution as income on your federal return. In addition, if you are under age 59½, you will be required to pay an additional 10% tax for taking an early pension distribution.

If you default on your loan, it will be your responsibility to make an estimated tax payment to the IRS to cover your tax liability on the deemed distribution; no withholding will be deducted from your account by the Division.

Note: *Paying taxes on a defaulted loan balance does not negate the balance; you are still responsible for paying the loan balance and any interest that accrues on it to be paid within the remaining period left in the original five-year schedule. Any repayments will be returned to your account as after-tax contributions.*

You may not take another loan until the deemed distribution is paid off. A deemed distribution cannot be canceled by resuming your loan payments or repaying the loan in full prior to the end of the tax year in which the default occurs. If you resume your loan repayments after the default, the payments received are posted to your account as after-tax contributions that will increase the nontaxable portion of your pension at retirement.

Unlike a normal pension distribution, a loan treated as a distribution cannot be rolled over to an IRA or other qualified retirement plan.

POLICE AND FIREMEN'S MORTGAGE PROGRAM

A currently employed police officer or firefighter who is a member of the PFRS with at least one year of creditable service is eligible to apply for a mortgage through the PFRS. The mortgage program is administered through private lenders in New Jersey and is applicable to an owner-occupied principal residence.

For additional information on interest rates, fees, or for a list of participating lending institutions, contact the New Jersey Housing and Mortgage Finance Agency, at 1-800-NJ-HOUSE, or view current information online at:

www.nj.gov/treasury/pensions/pfrsmortgagepage.shtml

SUPPLEMENTING YOUR PENSION

In addition to your regular pension contributions, there are other opportunities to supplement your retirement income and possibly set aside money on a tax-deferred basis.

New Jersey State Employees Deferred Compensation Plan

If you are an employee of the State, you may be eligible for the New Jersey State Employees Deferred Compensation Plan (IRC Section 457). Contributions to the plan are not subject to federal income tax until you take a distribution from the plan, either at retirement or termination before retirement. The main benefits of the plan are to help you save on federal income tax now and to supplement your retirement income through investments.

For plan and investment information, visit the State Employees Deferred Compensation Plan Web site at: www.prudential.com/njsedcp or call 1-866-NJSEDCP (1-866-657-3327).

Other information about the plan is available by writing to: *Division of Pensions and Benefits, New Jersey State Employees Deferred Compensation Plan, PO Box 295, Trenton, NJ 08625-0295.*

Local Deferred Compensation Plans

PFRS members employed by a municipality, county, or county college may also be eligible to contribute to other employer-sponsored deferred compensation plans. Contact your employer to see what plans are available to you.

Supplemental Annuity Collective Trust (SACT)

The Supplemental Annuity Collective Trust (SACT) is a voluntary investment program that provides retirement income separate from, and in addition to, your basic pension plan. Your contributions are invested conservatively in the stock market. The program consists of two separate plans.

- The SACT-Regular Plan is available to all actively contributing members of a New Jersey State-administered retirement system. Contributions to this plan are made after deductions for federal income tax.
- The SACT-Tax Sheltered Plan (IRC Section 403(b)) is available to actively contributing members of public educational institutions. Contributions to this plan are made before deductions for federal income tax.

SACT brochures and enrollment packets are available on the Division of Pensions and Benefits Web site at: www.nj.gov/treasury/pensions/sact.shtml

You can also contact the SACT office by calling (609) 292-7524 or by writing to: *Division of Pensions and Benefits, Supplemental Annuity Collective Trust, PO Box 295, Trenton, NJ 08625-0295.*

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established under the provisions of N.J.S.A. 43:15C-1. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage.

Individuals eligible for membership in the DCRP include employees enrolled *after* May 21, 2010, in membership **Tier 2** or **Tier 3** of the PFRS who earn salary in excess of established “maximum compensation” limits.

The DCRP is administered for the Division of Pensions and Benefits by Prudential Financial. Prudential provides DCRP information, including information about investment and distribution options, on its New Jersey Defined Contribution Program Web site: www.prudential.com/njdcrp

Employers and members can contact Prudential Financial by telephone through Prudential's toll-free number 1-866-653-2771.

In certain circumstances an eligible employee can *voluntarily* waive participation in the DCRP by submitting a *DCRP Waiver Form* to the Division of Pensions and Benefits.

Additional information about DCRP enrollment, contribution rates, plan benefits, and waiver can be found in Fact Sheet #79, *DCRP for PERS, TPAF, PFRS, and SPRS Members*, which is available on the Division's Web site at: www.nj.gov/treasury/pensions

RETIREMENT

Mandatory Retirement

Retirement for PFRS members is mandatory at age 65 (see exception). If you do not file a retirement application before age 65, you are automatically retired on the first of the month following your 65th birthday. Retirement benefits, however, are not payable until you file the application through MBOS.

Exception: Elected officials are *exempt* from mandatory retirement from their elected position.

Types of Retirement

There are several types of retirement for which you may qualify. The calculation of your retirement benefit is based on your Final Compensation.

'Final Compensation' — for a PFRS **Tier 1 member** enrolled *on or before* May 21, 2010, Final Compensation means the salary upon which pension contributions were based in the last 12 months of creditable service preceding retirement.

For a PFRS **Tier 2** or **Tier 3 member** enrolled *after* May 21, 2010, Final Compensation means the *average* salary upon which pension contributions were based for any **three fiscal years** (July-June) of membership preceding retirement that provides the largest possible benefit.

Service Retirement

The eligibility requirements for a Service Retirement fall into two categories.

- If you are a member in service and age 55 or older you may retire without any required minimum years of service.
- If you have at least 20 years of service at retirement you may retire at any age provided you were enrolled in the PFRS as of January 18, 2000.

The annual benefit calculations for a Service Retirement are:

- If you have less than 20 years of service credit, you will receive 2% of your Final Compensation for each year of service.
- If you have at least 20 years but less than 25 years of service credit, you will receive 50% of your Final Compensation.

- If you are age 65 (mandatory retirement age) and have 20 or more years of service credit, you will receive 50% of your Final Compensation, **plus** 3% of your Final Compensation for each year of service *over 20, up to 25 years*, if enrolled in the PFRS as of January 18, 2000.
- If you have at least 30 years of service credit, you will receive 2% per year of your average Final Compensation for the first 30 years of service, **plus** an additional 1% of your average Final Compensation for each year of service credit over 30 years.

Special Retirement

Available to members at any age, who have a minimum of 25 years of service credit in the PFRS.

- For a PFRS **Tier 1** or **Tier 2 member** enrolled *on or before* June 28, 2011, the annual benefit for a Special Retirement is equal to 65% of your Final Compensation **plus** 1% for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 70% of your Final Compensation.
- For a PFRS **Tier 3 member** enrolled *after* June 28, 2011, the annual benefit for a Special Retirement is equal to 60% of your Final Compensation **plus** 1% for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 65% of your Final Compensation.

Deferred Retirement

Available to members who have at least 10 years of service credit and are not yet 55 years of age when they terminate employment. The retirement would be effective on the first of the month after attaining age 55. The annual benefit for a Deferred Retirement is equal to 2% of Final Compensation for each year of service.

You must file a retirement application for the retirement to take effect. You may apply for a Deferred Retirement when you terminate covered employment or at any time prior to age 55. Under no circumstances can a retirement become effective prior to the date the application is received by the Division of Pensions and Benefits.

If a member is removed from employment for cause on charges of misconduct or delinquency, the member will be **ineligible** for Deferred Retirement.

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

Please note the following important information about your life insurance, health care coverage, loans, and purchase arrears if you are considering a Deferred Retirement:

- **Life Insurance** — Your life insurance coverage will end 31 days after you terminate employment and will not be in effect until your Deferred Retirement becomes payable. If you die before your Deferred Retirement becomes effective, the last named beneficiary will receive a return of your pension contributions. There is no life insurance benefit under these circumstances. However, during the 31-day period after you terminate

employment you may convert your group life insurance coverage to a private policy with Prudential Financial. For more information see Deferred Retirement in “Conversion: At Retirement” on page 48.

- **Health Benefits** — PFRS members electing Deferred Retirement, who are covered under the State Health Benefits Program (SHBP) cannot transfer their active health care coverage to the retired group of the SHBP. However, those electing Deferred Retirement may be eligible for continuation of SHBP coverage under federal COBRA (*The Consolidated Omnibus Budget Reconciliation Act of 1985*) legislation for up to 18 months if they were covered by the SHBP just prior to terminating employment. If the actual retirement commences while the 18 months of COBRA coverage is in effect, the retiree may then transfer from the COBRA coverage and continue the SHBP coverage into retirement. If the 18 months of COBRA coverage ends before the retirement commences, the member will not be entitled to maintain health coverage through the SHBP. Participants should contact their employer to see if they qualify for COBRA continuation.
- **Loans** — If you terminate employment, failure to repay a pension loan as scheduled may result in the unpaid loan balance being declared a taxable distribution that will be reported to the IRS. See page 21 for more information about the IRS regulations regarding the repayment of pension loans.
- **Purchase Arrears** — If you have not made installment payments for the purchase of additional service credit in two years, your purchase will be canceled. You will receive pro rata credit for the service purchased to the date that the installment payments ceased. Any subsequent requests to purchase the remaining service credit shall be based on the laws and rules in effect on the date the subsequent request is received in the Division.

If you return from an approved leave of absence after two years, you may request that the original purchase be resumed. The purchase will be recalculated to include additional regular interest accrued between two years after the date of the last installment payment and the date the purchase is resumed.

Ordinary Disability Retirement

To qualify for an Ordinary Disability Retirement you must:

- Be a member in service at the time the application is filed with the Division of Pensions and Benefits. “Member in service” means that the member or employer was making pension contributions to the retirement system at the time of filing an application for disability retirement. It may also mean that the member was on an approved leave of absence, paid or unpaid, or suspension, paid or unpaid, at the time of filing the application. If the member had pending litigation for wrongful termination filed against the employer, the member has 30 days from the date the litigation is resolved to file for disability retirement in order to be considered a “member in service.”
- Have four or more years of New Jersey service credit (Out-of-State, Military, and U.S. Government Service purchases cannot be used to attain the four years);

- Be considered totally and permanently disabled (you must prove that you are physically or mentally incapacitated from performing your normal or assigned job duties or any other position your employer may assign);
- Be disabled at the time you separated from service as a result of the alleged disability that renders you totally disabled; and
- Submit any and all medical reports or corroborating evidence on file that supports your disability within six months or your application will be canceled and you must refile.

Note: *If the medical documentation supplied by you is not sufficient to support your claim of disability, the Division of Pensions and Benefits may also require you to be examined by physicians selected by the retirement system. The examination will be scheduled at no cost to you by the Division of Pensions and Benefits. **All medical information is confidential and only for use by the PFRS Board of Trustees in evaluating your application.***

If you qualify and are approved for an Ordinary Disability Retirement, the annual benefit calculation is equal to 40% of your Final Compensation or 1.5% of your Final Compensation for each year of service credit, whichever is higher.

The application process begins by filing an application for disability retirement with the Division of Pensions and Benefits via MBOS. The application review process requires information from your physicians and a release of health information related to your disability. The process also requires corroboration of your condition by at least two medical sources. The more complete the application and supporting information, the faster it can be evaluated, although the process may take six months or more.

It is the applicant's responsibility to arrange for all physicians' statements, hospital records, and other health information to be sent to the Division of Pensions and Benefits.

Once the Board of Trustees approves a member for a disability retirement allowance, the member's retirement application cannot be withdrawn, canceled, or amended.

Approval for Workers' Compensation or Social Security disability benefits has no bearing on your application for an Ordinary Disability Retirement. However, if you are approved for Ordinary Disability Retirement benefits and receive a Workers' Compensation award, your Workers' Compensation award may be reduced by the amount of your Ordinary Disability Retirement benefit. If you have any questions concerning this issue, please contact the Division of Workers' Compensation at (609) 292-2515 or send e-mail to: dwc@dol.nj.gov

Involuntary Ordinary Disability Retirement

Your employer has the right to apply for an Involuntary Ordinary Disability Retirement on your behalf provided that you meet the qualifications for Ordinary Disability Retirement shown above.

- If you are required to retire upon application by the employer and have at least 4 years of New Jersey service, but less than 20 years, you will receive an Ordinary Disability retirement allowance of 40% of Final Compensation, or 1.5% of Final Compensation for each year of service, whichever is higher.
- If you are required to retire upon application by the employer and have 20 or more

years of service, you will receive an allowance equal to 50% of Final Compensation plus an additional 3% of Final Compensation for every year of service over 20 up to a maximum of 25 years.

In addition to the retirement application, **State employers must provide a letter** from the Department's highest ranking authority and **local employers must provide a copy of a resolution** adopted by the governing body. The letter/resolution must indicate the intent to involuntarily retire the employee and state that, in the employing authority's opinion, the employee is "totally and permanently disabled" from fulfilling his or her job duties (employers should also include any pertinent medical records).

Note: The member cannot change the date of retirement under an Involuntary Ordinary Disability Retirement.

Special Disability Retirement

To qualify for a Special Disability Retirement you must:

- Be a member in service at the time the application is filed with the Division of Pensions and Benefits (an official leave of absence is considered in service);
- Be under 55 years of age;
- Have five or more years of New Jersey service credit; and
- Receive a heart transplant.

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

Accidental Disability Retirement

To qualify for an Accidental Disability Retirement you must:

- Be a member in service at the time the application is filed with the Division of Pensions and Benefits. "Member in service" means that the member or employer was making pension contributions to the retirement system at the time of filing an application for disability retirement. It may also mean that the member was on an approved leave of absence, paid or unpaid, or suspension, paid or unpaid, at the time of filing the application. If the member had pending litigation for wrongful termination filed against the employer, the member has 30 days from the date the litigation is resolved to file for disability retirement in order to be considered a "member in service."
- Be considered totally and permanently disabled (you must prove that you are physically or mentally incapacitated from performing your normal or assigned job duties or any other position your employer may assign) as a "direct result of a traumatic event" (see definition on page 29) that happened during and as a direct result of carrying out your regular or assigned job duties;
- Be an active member of the PFRS on the date of the "traumatic event;"
- File an application for disability retirement within five years of the date of the "traumatic event;"

- Be disabled at the time you separated from service as a result of the alleged disability that renders you totally disabled;
- Submit any and all accident reports, witness reports, and corroborating evidence on file for any and all accidents for which you are filing within six months; and
- Be examined by physicians selected by the retirement system. The examination will be scheduled at no cost to you by the Division of Pensions and Benefits. **All medical information is kept confidential and used only by the PFRS Board of Trustees in reviewing your claim.**

If you qualify and are approved for Accidental Disability Retirement, your annual retirement allowance will be 2/3 of your salary at the time of the “traumatic event” or at the time of retirement, whichever is higher.

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

- Identifiable as to time and place;
- Undesigned and unexpected;
- Caused by a circumstance external to the member (not the result of preexisting disease that is aggravated or accelerated by the work);
- Occurred during and as a result of the member’s regular or assigned duties;
- Was not the result of the member’s willful negligence; and
- Results in the member’s permanent and total incapacitation from performing his or her usual or any other duty.

Note: *When there is an issue of mental incapacity, the member must also establish that the event that forms the basis for an accidental disability was objectively capable of causing a reasonable person in similar circumstances to suffer a disabling mental injury, based on a finding that the disability resulted from “direct personal experience of a terrifying or horror-inducing event that involves actual or threatened death or serious injury, or a similarly serious threat to the physical integrity of the member or another person.”*

The application process begins by filing an application for disability retirement with the Division of Pensions and Benefits via MBOS. You may file for only one type of disability retirement, Accidental or Ordinary Disability.

Note: *Your employer has the right to apply for an Accidental Disability Retirement on your behalf (see the employer requirements under “Involuntary Ordinary Disability Retirement” on page 27).*

The application review process requires information from your physicians, information from your employer with questions regarding the “traumatic event”, and a release of health information related to your disability. The more complete the application and supporting information, the faster it can be evaluated, although the process may take six months or more.

It is the applicant's responsibility to arrange for all physicians' statements and hospital records to be sent to the Division of Pensions and Benefits.

Once the Board of Trustees approves a member for a disability retirement allowance, the member's retirement application cannot be withdrawn, canceled, or amended.

Approval for Workers' Compensation or Social Security disability benefits has no bearing on your application for Accidental Disability Retirement. However, if you receive periodic Workers' Compensation benefits while receiving an Accidental Disability Retirement, the pension portion of your retirement allowance will be reduced dollar-for-dollar by the amount of the periodic benefits.

If you apply for Accidental Disability Retirement and are found by the Board of Trustees to be totally and permanently disabled but not as a result of a "traumatic event", you may be retired on an Ordinary Disability Retirement if you have the required service credit (see page 26).

THE RETIREMENT PROCESS

The time frames in this section serve as a guide to help you understand the retirement process. Actual processing times, however, may vary and cannot begin until the Division of Pensions and Benefits receives all the necessary information and forms from both you and your employer.

6-8 Months before Retirement

When planning for a successful retirement, it is important to give yourself enough time to review your benefits. **You should inquire about retirement at least six months before your retirement date.**

Retirement Estimates — Members within 2 years of retirement can:

- **Obtain an *Estimate of Retirement Benefits* using the Member Benefits Online System (MBOS).** This provides you with a printable estimate of the retirement allowances available and the amount of your group life insurance benefits. Using the MBOS Retirement Estimate Calculator allows you to obtain and compare estimates for different retirement dates. See **page iii** for more information about registering for MBOS.
- Hear an estimate of retirement benefits over the phone, by calling the Division of Pension and Benefit's Automated Information System at (609) 292-7524.

Your employer is not notified if you request a retirement estimate.

For long term retirement planning, the Division also provides an online retirement estimate calculator that uses service and salary information that you provide. This calculator is available on our Web site at:

www.nj.gov/treasury/pensions

4-6 Months before Retirement

Retirement Applications — It is your responsibility to file a retirement application with the Division of Pensions and Benefits.

Note: *If you are applying for a disability retirement, see below, "Disability Retirement Applications."*

All retirement applications *must* be submitted online using the Member Benefits Online System (MBOS).

See **page iii** for more information about registering for MBOS.

All retirements are effective on the first of a month. You can submit your retirement application no more than one year before your retirement date — and as late as the last business day prior to your retirement date — but four to six months advance filing is recommended. Under no circumstances can a retirement become effective prior to the date the application is received by the Division of Pensions and Benefits. Processing times vary and cannot begin until the Division has received all the necessary information and forms from both you and your employer.

- If you have not furnished proof of your age to the Division of Pensions and Benefits, you must do so when applying for retirement (see page 6 for acceptable proofs of age). If any proof of age documents are given under a maiden name, please identify them as such. Send photocopies of any proof of age documents, as we cannot guarantee that original documents will be returned. Please also be sure to write your pension membership number or last four digits of your Social Security number on all documentation that you submit. **Your retirement application will not be processed until the Division receives copies of birth date evidence.**
- Ask your employer to submit a *Certification of Service and Final Salary* to the Division of Pensions and Benefits.
- **It is the applicant's responsibility to ensure that all required forms — except for the employer certification — are submitted to the Division within 90 days of the Division's receipt of your retirement application.** Otherwise, the retirement application will be canceled and you will need to submit another application for a future retirement date.

When your application is submitted to the Division of Pensions and Benefits, **you will receive e-mail confirmation of its receipt.**

Disability Retirement Applications — An application for disability retirement must be submitted online using the Member Benefits Online System (MBOS). See **page iii** for more information about registering for MBOS. You may file for only one type of disability retirement, Accidental or Ordinary Disability, but not both.

The application review process requires information from your physicians and a release of health information related to your disability. **It is the applicant's responsibility to arrange for all physicians' statements and hospital records, to be sent to the Division of Pensions and Benefits.**

The more complete the information, the faster it can be evaluated, although the process may take six months or more.

Supporting information for your application should be sent to:

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

See pages 26-30 for additional information about disability retirement benefits.

Life Insurance — The amount of your life insurance coverage through the PFRS decreases at retirement or terminates if you have less than 10 years of service credit. You may convert the dollar difference between the group coverage you had before retirement and the group coverage you will have after retirement to a non-group life insurance policy.

To protect your conversion privilege it is suggested that you apply for conversion of your insurance at the time you file your retirement application with the Division of Pensions and Benefits (however, you cannot file to convert your life insurance any earlier than six months prior to your retirement date).

See "Conversion of Group Life Insurance" on page 47 and Fact Sheet #13, *Conversion of Group Life Insurance*, for details.

Other Retirement Plans — If you participate in the following other retirement savings plans, you must inform them separately of your plans to retire.

- Contact the **State Employees Deferred Compensation Plan** at 1-866-NJSEDCP if you participate in the plan.
- Contact the **Supplemental Annuity Collective Trust (SACT)** at (609) 292-7524 if you participate in SACT.
- Contact the **Defined Contribution Retirement Program (DCRP)** at 1-866-653-2771 if you participate in the DCRP.

Approximately 3 Months before Retirement

Health Benefits Coverage at Retirement — If you fall into one of the categories listed below, you will be offered coverage under the New Jersey State Health Benefits Program (SHBP) in retirement:

- Members already covered by the SHBP through their employer. (If you are not eligible for State-paid or employer-paid coverage, you may continue the coverage into retirement by paying the appropriate premium.);

- PFRS members who retire from an employer who does not provide any payment towards the retiree's health coverage or reimbursement of Medicare Part B premiums, may be eligible for retired group SHBP coverage under the provisions of Chapter 330, P.L. 1997 (see Fact Sheet #47, *Health Benefits Retired Coverage under Chapter 330*).

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

If you are 65 or older, contact your 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 at retirement.

If you do not qualify for retired SHBP coverage under the criteria listed above, see your employer to explore other options that may be available for continuing your health coverage.

Approximately 1 Month before Retirement

Board Approval — Your retirement will be presented to the PFRS Board of Trustees for approval.

- You will receive a *Board Approval Letter*. You have 30 days from the Board approval date or your effective retirement date (whichever is later) to request a change to your retirement date (see “note” below). If you wish to make a change after Board approval, your new selection must again be approved by the Board of Trustees. This may delay your first retirement check.
- You may choose to cancel your retirement within 30 days of your retirement date or Board approval date — whichever is later (see “note” below). This request must be in writing to the Division of Pensions and Benefits. **Canceling your retirement does not guarantee continued employment with your employer.**

Note: Members who are approved for Disability Retirement cannot cancel their retirement or change their date of retirement.

Approximately 2-4 Weeks before Retirement

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

- Any benefits payable to an eligible survivor;
- A quote of any outstanding loan balance with repayment options; and
- A notice of any unsatisfied balance on your account (see next section).

Unsatisfied Balances

Loans — If you retire with an outstanding loan balance, you may:

- Pay the loan in full prior to receiving any retirement benefits; or
- Continue your monthly loan repayment schedule, plus interest, into retirement.

Purchase Arrears — When you apply for a purchase of service credit, the Division of Pensions and Benefits assumes that the obligation will be paid before your retirement. Therefore, your account is credited with the full amount of service you have agreed to purchase. If this obligation has not been fully paid when you retire, your *Quotation of Retirement Benefits* will state the balance of your arrears (purchase) as of your retirement date. At that time, you must pay the balance of your arrears.

If you do not pay off the balance, the service credit which has not been paid for will be subtracted from your total years and months of service. This will reduce the amount of your retirement allowance and **may even affect your eligibility to retire.**

For Deferred Retirees who have an outstanding arrears obligation for the purchase of additional service credit, interest may be assessed if there was a lapse in payments of two years or more.

Shortages — A shortage in your pension account occurs when your employer does not deduct the proper pension contribution from your salary. You will be notified by the Division of Pensions and Benefits of the amount of any shortage. You are responsible for payment of any shortages at retirement.

No retirement will be paid until purchase arrears and shortage obligations have been satisfied.

AFTER YOUR RETIREMENT DATE

Statement of Retirement Allowance — You will receive a letter confirming your retirement and death benefits. The letter will also supply figures needed in filing your income tax return. Keep this with your important papers.

Due and Payable — Your retirement becomes “due and payable” after there has been a break in employment without pay of at least 30 days following your retirement date, or 30 days following approval of your retirement by the PFRS Board of Trustees, whichever is later.

Once your retirement becomes “due and payable” you cannot change your retirement date.

Note: *If you return to a PFRS eligible position before the 30 days have elapsed, on either a paid or voluntary basis, your retirement may be considered invalid and you could be required to reimburse the retirement system and reenroll in the PFRS (see Fact Sheet #86, Post-Retirement Employment Restrictions for additional requirements of a valid retirement).*

Retirement Checks — Your first retirement check cannot be issued earlier than 30 days following your retirement date. If processing of your retirement is delayed, your first check will be retroactive to the date of your retirement.

Regular retirement checks are dated on the first of the month to cover the allowance for the previous month. For example, if you retire on July 1st, your first retirement check would be “due and payable” on August 1st and is payment for the month of July.

Change of Address — It is important that you inform the Division of Pensions and Benefits of the change.

- You can change your address by using the Retiree Change of Address function in the **Member Benefits Online System (MBOS)** for retirees. See **page iii** for more information about registering for MBOS.
- Change your address by calling the **Automated Information System** at **(609) 292-7524**.
- If notifying the Division of a change of address in writing, be sure to include both your old and your new address and your retirement number or last four digits of your Social Security number.

Direct Deposit/Electronic Funds Transfer (EFT) — Direct deposit of retirement checks is **mandatory** (except for foreign mailing addresses). Direct deposit will prevent your retirement checks from being lost, stolen, or delayed in the mail.

You can sign up for direct deposit up to two months prior to your retirement date using the Direct Deposit/Electronic Funds Transfer application available to pending retirees through MBOS.

- Registered retirees can also start or change direct deposit online, at any time, using MBOS.

See **page iii** for more information about registering for MBOS.

You may also use the *Authorization of Direct Deposit* form which can be printed from the Division of Pensions and Benefits Web site.

Please allow approximately 60 days for a new direct deposit, or changes to an existing direct deposit, to begin.

Withholding Federal and NJ State Income Tax — The Division of Pensions and Benefits will provide for the withholding of federal and New Jersey State income tax from your retirement check.

The default withholding status for federal income tax is “married” with “three dependents” regardless of your actual marital status or number of dependents. The Division is obligated to withhold federal income tax unless you file a *Form W-4P* instructing us not to do so.

New Jersey income tax withholding is voluntary, and none will be withheld unless you give instructions to do so. Please keep in mind that if you live outside New Jersey your retirement benefits are not subject to New Jersey State income tax, but may be subject to state or local taxes in the jurisdiction in which you reside. There is no provision for withholding any local or out-of-state taxes.

New retirees will automatically receive a federal *Form W-4P* and New Jersey *Form NJ W-4P* for withholding income tax. After that, you may obtain a federal or New Jersey State *Form NJ W-4P* by printing the forms from the Division's Web site at:

www.nj.gov/treasury/pensions

Retirees can increase or decrease existing withholding amounts by calling the **Automated Information System** at **(609) 292-7524**.

Online federal and New Jersey W-4P applications are also available to retirees who are registered users of the **Member Benefits Online System (MBOS)**. See **page iii** for more information about registering for MBOS.

The Division of Pensions and Benefits cannot provide tax advice.

- Questions about your federal income tax should be directed to the Internal Revenue Service at 1-800-TAX-1040.
- Questions about New Jersey income tax should be directed to the New Jersey Division of Taxation at 1-800-323-4400.

Federal Income Tax after Retirement — Every January, the Division of Pensions and Benefits issues each retiree an annual *Form 1099-R* reflecting the taxable retirement allowance paid during the preceding tax year. The degree to which your pension is taxed, other than Accidental Disability Retirement, depends on whether or not the payments you receive have been previously taxed. Employee contributions made prior to 1987 were made with after-tax dollars. That is, they were federally taxed prior to being made. Contributions for the purchase of service credit are also made with after-tax dollars unless funded by a rollover from another tax-deferred plan.

If you began contributing to the pension plan in 1987 or after, and you have not made a purchase of service credit, your entire pension is subject to federal income tax because your contributions have never been taxed.

If you contributed to the pension plan before 1987, or if you have made a purchase of service credit since 1987, your pension is immediately taxable based on the “expected return rule.” Part of your retirement allowance comes from your own pension contributions that were already taxed, and the Internal Revenue Service (IRS) allows you to recover these contributions tax-free. This recovery is spread out over your expected lifetime or the combined lifetime of you and your beneficiary, according to IRS life expectancy tables. This means that a small “tax-exclusion amount” of each monthly retirement check is tax-free. The remainder of the monthly benefit is subject to federal income tax.

If you retired on an Accidental Disability Retirement — or if you are a surviving spouse receiving Accidental Disability or Accidental Death benefits — the Division of Pensions and Benefits currently reports your benefit as exempt from federal income tax.

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

Any federal tax questions should be referred to the IRS at 1-800-TAX-1040.

NJ State Income Tax after Retirement — If you live in New Jersey, you will be subject to New Jersey State income tax when you have recovered in pension checks the amount of pension contributions you made to the retirement system while working. However, if you will not recover your total contributions within three years of retirement, contact the New Jersey Division of Taxation at 1-800-323-4400, or see the *NJ Gross Income Tax Return Form 1040* instructions to determine how your pension is taxed.

If you are receiving an Ordinary Disability or Accidental Disability retirement allowance, your pension is exempt from New Jersey income tax if you are under age 65. When you reach age 65, your disability pension is treated as a regular pension and is considered taxable for New Jersey income tax.

Cost-of-Living Adjustment — The Pension and Health Benefit Reform Law, N.J.S.A. 43:3B-2, **suspended** Cost-of-Living Adjustments (COLA) for retirees of all retirement systems. Please note, however, that there is no reduction to any COLA increases that were *already* added to retiree benefits prior to June 28, 2011, the effective date of the law.

For additional information about COLA — including calculation examples — see Fact Sheet #18, *Cost-of-Living Adjustments*.

Prior Cost-of-Living Adjustments are shown under the Current Earnings section of the retirement benefit *Statement of Allowances and Deductions* (check or EFT stub).

Retirees can also verify current allowance and deduction information *at any time* using the retiree account information available through the **Member Benefits Online System (MBOS)** or by calling the **Automated Information System at (609) 292-7524**.

REDUCTION OR SUSPENSION OF YOUR BENEFITS

Normally, you will receive retirement benefits as long as you live. Your benefits, however, could be reduced or suspended if:

- You return to a position covered by the PFRS and are required to reenroll (see Fact Sheet #86, *Post-Retirement Employment Restrictions*).
- You return to employment with your former employer within 180 days (even in a voluntary capacity).
- You have an outstanding purchase arrears balance or a shortage in your account at the time of your retirement.
- You receive salary from your employer for service rendered after your date of retirement.
- You waive your right to a portion of any pension to which you are entitled.
- As an Accidental Disability retiree, you receive periodic Workers' Compensation benefits after your retirement date.
- As a disability retiree, you fail to appear for a periodic medical re-examination when requested to do so.
- You fail to file a *Certificate of Eligibility* when you are asked to do so. This certificate is necessary, for example, if you or one of your beneficiaries has a change in marital status.

- You are incarcerated (although the Board of Trustees may permit the continuance of your benefits to your dependents).
- An accounting error is made and the PFRS must be repaid.

Your pension is normally exempt from any liens against it. Exceptions are: tax liens imposed by the federal Internal Revenue Service and court orders for child support, alimony, or equitable distribution.

A court order is effective only when you withdraw your funds or when you begin to receive monthly retirement payments. **It is the responsibility of the member** to be certain that the Division is provided with copies of all court orders, and to comply with them.

Divorce or Dissolution of a Civil Union/Domestic Partnership

The retirement system will implement matrimonial/civil union dissolution court orders granting alimony, child support, or equitable distribution.

Matrimonial/civil union dissolution orders regarding your withdrawal from the retirement system will take effect if you voluntarily apply to withdraw your PFRS account (see page 50).

Matrimonial/civil union dissolution orders regarding your retirement will not take effect until you retire and begin receiving a monthly retirement allowance. The court order can designate a specific dollar amount or percentage, or a percentage based on the number of years of pensionable service you accrued during the marriage/civil union, to be withheld from your retirement allowance. The amount withheld is sent directly from the Division of Pensions to your former spouse/partner unless the order specifies another payee (i.e. a probation department).

Any court ordered withholding paid to your former spouse/partner from your retirement allowance will terminate upon your death or the death of the former spouse/partner.

Group Life Insurance — In cases of divorce or dissolution, N.J.S.A. 3B:3.14 states that even if your *Designation of Beneficiary* form indicates a former spouse/partner and/or relatives of the former spouse/partner as beneficiaries for life insurance, they cannot receive the benefit. Therefore, the life insurance proceeds become payable to your remaining primary beneficiaries, if any; contingent beneficiaries, if any; or your estate. However, the following exceptions will be honored and considered valid:

- Court orders are filed that specifically designate your former spouse/partner to receive a life insurance benefit; or
- You file a *Designation of Beneficiary* after the final date of judgment that names your former spouse/partner and/or relatives of your former spouse/partner as the life insurance beneficiary.

Misconduct

The receipt of retirement benefits is expressly conditioned upon the rendering of honorable service by a public officer or employee. Your benefits may be reduced or forfeited if you are convicted of a crime in any way related to your employment, or if you are suspended or dismissed from your employment.

In accordance with N.J.S.A. 43:1-3.1, the court may order the forfeiture of all or part of the retirement allowance in certain cases.

Also, in accordance with N.J.S.A. 43:1-3, the Board of Trustees is required to order the forfeiture of all or part of the retirement allowance of a member for misconduct during public service, which renders the service, in whole or in part, dishonorable*. The Board evaluates the member's disciplinary and/or criminal charges using the following 11 factors to determine whether the member's public service is considered honorable.

1. The employee's length of service;
2. The basis for retirement, i.e., age, service, disability, etc. (includes the effective date of retirement);
3. The extent to which the employee's pension has vested;
4. The duties of the particular employment;
5. The employee's public employment and service (includes the date of last pension contribution);
6. The employee's other public employment and service;
7. The nature of the misconduct or crime, including the gravity or substantiality of the offense, whether it was a single or multiple offense and whether it was continuing or isolated;
8. The relationship between the misconduct and the employee's public duties;
9. The quality or moral turpitude or the degree of guilt and culpability, including the employee's motives and reasons, personal gain and the like;
10. The availability and adequacy of other penal sanctions; and
11. Other personal circumstances relating to the employee bearing upon the justness of the forfeiture.

The Division of Criminal Justice in the Department of Law and Public Safety, the County and Municipal Prosecutor's Offices, and the Civil Service Commission are required to inform the Division of Pensions and Benefits whenever a public official or employee is prosecuted or convicted. State and Local public employers are also required to notify the Division of Pensions and Benefits whenever a public employer takes formal disciplinary action to

**Except for Deferred Retirement when removed for cause on charges of misconduct or delinquency — N.J.S.A. 43:16A-11.2.*

remove a member from public office or employment for cause on charges of misconduct or delinquency. In these cases, the Board of Trustees will consider all relevant documentation to render a determination on any appropriate action.

The Board will suspend processing of a member's application for retirement pending the receipt of the final disposition of charges against the member. All claims for retirement, death benefits, or the return of the member's contributions cannot be processed until the criminal or administrative matter has been resolved to the satisfaction of the Board of Trustees. The Division will postpone action on all claims where there is pending litigation against the member's employment. In this case, the Division will hold all applications or requests in abeyance until such time as the matter is fully resolved. Once all the required information is provided to the Division, the Board of Trustees will consider each case on its own merits. New Jersey law stipulates that a retired member is not eligible to collect retirement benefits if the retiree is confined in a penal institution as a result of a conviction of a crime involving moral turpitude. The law provides that an eligible dependent may continue to collect a retirement benefit if they can prove to the satisfaction of the Board of Trustees that they rely on the retiree's benefits for their maintenance.

The member should contact the Division's Board of Trustee Administration Office, in writing, if any of the conditions listed should occur in order to obtain more specific instruction on how to proceed.

For additional information, see Fact Sheet #76, *Honorable Service*, which is available on the Division of Pensions and Benefits Web site at: www.nj.gov/treasury/pensions

EMPLOYMENT AFTER RETIREMENT

For most PFRS retirees, working for a private industry, the federal government, or a government agency in another state will not affect your retirement benefits. (Disability retirees are subject to an annual earnings test, see Fact Sheet #15, *Disability Retirement Benefits*.)

For PFRS retirees who resume public employment in New Jersey after retirement, there are several areas of concern. To learn about the rules and regulations regarding post-retirement employment, please see Fact Sheet #86, *Post-Retirement Employment Restrictions*, at: www.nj.gov/treasury/pensions/fact-sheets.shtml

ACTIVE AND RETIRED DEATH BENEFITS

Upon the death of an active or retired PFRS member, two benefits are payable:

- A **monthly survivor's pension** paid to a specific family member (or return of contributions to a beneficiary); and
- **Group life insurance.**

The monthly survivor's pension to a family member is explained below. An explanation of group life insurance begins on page 43.

Payment of Pension to a Family Member

Upon the death of an employed or retired member, the spouse, civil union partner, eligible domestic partner, child(ren), or dependent parents of the member may be entitled to a monthly pension. The benefits vary according to the status of the member at the time of the death. The terms used in the explanations of benefits are defined here.

'Spouse' — A person to whom you were married on the date of your death and who has not remarried or entered into a civil union (except for an Accidental Death Benefit, see page 43). A photocopy of the *Marriage Certificate* is required for verification.

'Civil Union Partner' — A person of the same sex as defined by N.J.S.A 37:1-29, with whom you were partnered in a civil union until the date of your death and who has not entered into a new civil union or married (except for an Accidental Death Benefit, see page 43). 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 verification. See Fact Sheet #75, *Civil Unions*, for details.

'Domestic Partner' — A person of the same sex as defined by N.J.S.A 26:8A-1, with whom you were partnered in a domestic partnership until the date of your death and who has not entered into a civil union or married (except for an Accidental Death Benefit, see page 43). For an employee or retiree of a local public entity, the local entity's governing body must have adopted a resolution to provide Domestic Partner pension 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 verification. See Fact Sheet #71, *Benefits Under the Domestic Partnership Act*, for details.

'Child' — Your unmarried child:

- Under the age of 18; or
- 18 years of age or older and enrolled in high school;
- Any age, who at the time of your death, is disabled because of mental or physical incapacity and is incapable of substantial gainful employment because of the impairment. This incapacity must last or be expected to last for a continuous period of not less than 12 months as determined by the Medical Review Board; or
- For an Accidental Death Benefit (see page 43), a "child" may also mean an unmarried child under the age of 24 who is enrolled in college in a degree program for at least 12 hours per semester.

'Parent' — Your parent who was receiving at least one-half support from you in the 12 months immediately preceding your death (or the accident which led to your death in cases of an Accidental Death Benefit). The dependency of the parent will be considered terminated if he or she remarries after the death of the member.

Active Members

Upon your death as an active member your surviving spouse/partner is eligible to receive a pension benefit equal to 50% of your Final Compensation.

- **'Final Compensation'** — for a **Tier 1 member** enrolled *on or before* May 21, 2010, Final Compensation means the salary upon which pension contributions were based in the last 12 months of creditable service preceding your death as an active member.

For a **Tier 2 or Tier 3 member** enrolled *after* May 21, 2010, Final Compensation means the *average* salary upon which pension contributions were based for any **three fiscal years** of membership preceding your death as an active member that provides the largest possible benefit.

If there is no surviving spouse/partner, the following benefit is payable to eligible children:

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

If there is no surviving spouse/partner or children, a pension is paid to your eligible parents as follows:

- 40% of Final Compensation to two parents; or
- 25% of Final Compensation to one parent.

If there is no surviving spouse/partner, children, or parents, the employee's contributions to the retirement system are paid to the named beneficiary. In the event that a specific beneficiary is not named, the funds will be paid to the member's estate.

Retired Members

For PFRS members who retired January 1, 1968 and after, upon your death your surviving spouse/partner is eligible to receive a pension benefit equal to 50% of your Final Compensation, plus 15% of your Final Compensation for one eligible child or 25% of your Final Compensation for two or more eligible children.

- **'Final Compensation'** — for a **Tier 1 member** enrolled *on or before* May 21, 2010, Final Compensation means the salary upon which pension contributions were based in the last 12 months of creditable service preceding your retirement.

For a **Tier 2 or Tier 3 member** enrolled *after* May 21, 2010, Final Compensation means the *average* salary upon which pension contributions were based for any **three fiscal years** (July-June) of membership preceding your retirement that provides the largest possible benefit.

If there is no surviving spouse/partner, the following benefit is payable to eligible children:

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

ACCIDENTAL DEATH BENEFIT

If you die as a result of an accident during the performance of your regular or assigned duties, and your death is not a result of willful negligence, your family may be entitled to an Accidental Death Benefit. A report of an accident must be filed with the retirement system within 60 days of the accident. An *Application for Accidental Death Benefits* must be filed within five years of the date of death.

In cases resulting in an Accidental Death Benefit, your eligible surviving spouse, civil union partner, or eligible same-sex domestic partner (as defined on page 41) is paid an annual pension of 70% of your Compensation. This benefit is a lifetime benefit to your surviving spouse or partner.

- **‘Compensation’** — For all PFRS members Compensation means the salary upon which pension contributions were based in the 12 months immediately preceding your death or the accident which led to your death.

If there is no eligible surviving spouse/partner, or if the surviving spouse/partner dies, a pension is paid to your eligible children (as defined on page 41), in equal shares, in the amount of 70 percent of your Compensation.

If there is no eligible surviving spouse/partner or children, a pension will be paid to your eligible dependent parents (as defined on page 41) in these amounts:

- 40% of Compensation to two eligible parents; or
- 25% of Compensation to one eligible parent.

If there is no surviving spouse, child, or parent, your pension contributions will be paid to your named beneficiary. In the event that a specific beneficiary is not named, the funds will be paid to the member's estate.

GROUP LIFE INSURANCE

Your employer pays the cost of your group life insurance. This Noncontributory Group Life Insurance is provided through policies issued by the insurance carrier (Prudential Financial).

The group policy number for the PFRS is **G-14800**.

- **‘Compensation’** — PFRS group life insurance benefits are calculated using the salary on which pension contributions were based in the 12 months immediately preceding your death or retirement.

Coverage for Active Members

If your death occurs in active service before retirement, your named beneficiary (or estate where there is no named beneficiary) receives a group life insurance benefit equal to 3½ times your Compensation. If you die during the first year of creditable service, the benefit is 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) receives a group life insurance benefit equal to $\frac{1}{2}$ of your Compensation. However, if you retired on a Disability Retirement, the amount is equal to $3\frac{1}{2}$ times your Compensation until age 55 when it is reduced to $\frac{1}{2}$ of Compensation.

Group life insurance for retired members of the PFRS who were 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.

Choosing a Beneficiary

When a member is enrolled in the PFRS, the new member's estate is the group life insurance beneficiary on record until the Division of Pensions and Benefits receives a new and properly completed *Designation of Beneficiary*.

- **Active members must complete the *Designation of Beneficiary* online using the Member Benefits Online System (MBOS).** See **page iii** for more information about registering for MBOS.

When you submit the *Designation of Beneficiary*, you name beneficiaries for your group life insurance benefits and, if applicable, the return of your pension contributions. You may name any person, organization, your estate, or trust as beneficiary. You may change your designation at any time during your active membership by submitting a new and properly completed *Designation of Beneficiary*.

At retirement, you are asked on your retirement application to name a beneficiary(ies) for group life insurance benefits. You may name any person, organization, your estate, or trust as beneficiary for group life insurance benefits.

- The designation of a beneficiary on a retirement application that is filed with and accepted by the Division of Pensions and Benefits supersedes *any* older designation of beneficiary on file. The designation is effective upon acceptance by the Division, even if the retirement date on the application is in the future *or* the member later cancels the retirement application.

Retirees may also change group life insurance designations at any time during retirement by filing a new and properly completed *Designation of Beneficiary*.

- Retirees should complete the *Designation of Beneficiary* online using the Member Benefits Online System (MBOS). See **page iii** for more information about registering for MBOS.
- Retirees may also mail a *Retiree Designation of Beneficiary* form to the Division of Pensions and Benefits. The form is available under "Forms and Publications" on the Division's Web site at: www.nj.gov/treasury/pensions

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

For your protection, beneficiary designations cannot be accepted or confirmed over the telephone or by e-mail. Members can verify beneficiary designation on MBOS. Otherwise,

the Division will only accept a written request from the member.

Payment of Group Life Insurance

Group life insurance benefits for active 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** — A single payment to your beneficiary.
- **Annuity Certain** — Equal installments over a selected period of years.
- **Life Annuity** — Paid monthly to your beneficiary for life.

Death benefits cannot be paid until all the necessary information, including proper proof of death, and claim forms have been received from your beneficiary by the Division of Pensions and Benefits.

To report a death, contact the Office of Client Services at (609) 292-7524. A certified death certificate, employer's *P-29* form, or obituary is required to open the claim.

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 by the Division of Taxation 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 an official leave of absence for personal illness.
- Up to one year while on an official leave to fulfill a residency requirement for an advanced degree or as a full-time student at an institution of higher education.
- Up to 93 days while on official leave for personal reasons (also family leave).

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

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

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.

To determine the taxable amount, if any, subtract \$50,000 from that total value of your Noncontributory Group Life Insurance coverage. The premium rates are then applied to the remaining life insurance amount. The premium costs for the life insurance are determined by the IRS based on your age (see chart) and the life insurance in excess of \$50,000. The remaining premium cost (if any) is the taxable amount and is added to your income on the *Form W-2* for that year.

EXAMPLE: A PFRS member is age 56 and has life insurance coverage.

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.

IRS Premium Rates* (Annual cost per \$1,000 of coverage)	
<u>Age</u>	<u>Premium</u>
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	15.24

**These rates are subject to change by the IRS.*

Waiving Noncontributory Group Life Insurance over \$50,000

PFRS members are permitted to waive their group life insurance over \$50,000 to avoid a possible federal and State tax liability on that benefit.

Waivers of partial amounts are not permitted. Any member who waives group life insurance, must waive the total amount of coverage in excess of \$50,000.

In the example (above), the member's coverage equals \$210,000 (3.5 x \$60,000). In this example the member could waive \$160,000 of coverage because members are only permitted to waive 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 of Group Life Insurance in Excess of \$50,000* 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 before December 31 in order 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. 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 group life insurance coverage over \$50,000.

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

CONVERSION OF GROUP LIFE INSURANCE

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 are eligible to convert your group life insurance coverage to an individual policy with Prudential Financial, without medical examination and at your own expense, when you retire, terminate employment, or lose coverage while on a leave of absence without pay.

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 should consider contacting 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. You cannot convert to term insurance or a policy containing disability benefits. Under a guaranteed conversion, the premiums you would pay would be at Prudential's "standard" rates for the type of policy to which you would be converting rather than the "preferred" rates that would be used for applicants in good health. 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 Prudential Financial through any of its local offices, or by calling 1-855-364-7783 (do not contact the Division of Pensions and Benefits about conversion).

You will need to provide your PFRS group insurance policy number: **G-14800**.

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.

To protect your conversion privilege it is suggested that you send your application for conversion to Prudential with at least one month's premium, at the time you file your retirement application with the Division of Pensions and Benefits (however, you cannot file to convert your life insurance any earlier than six months prior to your retirement date).

The following sections provide more detailed information about conversion policies for the specific situations of retirement, termination of employment, leave of absence, and return to public employment.

Conversion: At Retirement

Service or Special 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 on 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.

If you retire on a service retirement with **less than 10 years** of service credit in the retirement system, you will not be entitled to any group life insurance in retirement.

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

EXAMPLE: *If you had group life insurance of \$175,000 through the retirement system while employed, and that life insurance coverage drops to \$25,000 at retirement, you can purchase up to \$150,000 in life insurance coverage under an individual non-group policy by contacting a Prudential agent within 31 days following your termination of employment.*

Deferred Retirement — If you retire with a Deferred Retirement, your life insurance coverage will end 31 days after termination of employment. Any life insurance coverage to which you are entitled upon retirement will not take effect until you reach age 55 and begin to receive retirement benefits.

You have the 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 that you will automatically receive when you begin to receive retirement benefits.

Disability Retirement — Your life insurance coverage will continue while your disability retirement benefits are being processed provided that the retirement application was filed within 30 days of ending your employment. You do not need to make contributions to the contributory plan during this time.

If you are approved for a disability retirement you will automatically be covered by life insurance in the amount of 3½ times your Final Compensation until you reach age 55. At age 55, your life insurance coverage reduces to ½ of your Final Compensation.

You will have the option to purchase a conversion policy up until the day you reach age 55. 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 of 55.

Conversion: 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.*

Conversion: 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 drop the individual policy, you are not entitled to our group policy as an active member.

Group Life Insurance Coverage While Receiving Workers' Compensation Without Pay

If you are disabled due to an illness or injury that is a direct result of your regular job duties, you may be out of work on an official leave of absence for illness. If so, your group life insurance will automatically continue for the duration of the leave of absence, up to two years.

During the interval between the time you are without pay and the actual receipt of the Workers' Compensation award, you must be on an official leave of absence granted by your employer.

WITHDRAWAL FROM THE RETIREMENT SYSTEM

When Membership Ends

Your active membership in the PFRS ends 30 days after your retirement date or 30 days after the approval of your retirement by the PFRS Board of Trustees, whichever is later; or if:

- You die;
- You end your employment and withdraw your contributions from the PFRS; or
- You have not been contributing to the retirement system for two consecutive years.
 - If you have *less than* 10 years of PFRS service credit, two consecutive years is the limit for inactive membership before a PFRS account expires (see “Expired Accounts” on page 51).
 - If you have *10 years or more* of PFRS service credit, your PFRS account is vested. This means that you are guaranteed* the right to receive a retirement benefit based on that service and salary, provided you file an application for retirement through MBOS (see “Vesting” on page 10). However, two consecutive years remains the limit for inactive membership. If you return to PFRS covered employment after two or more consecutive years without a payroll contribution, you will be reenrolled in a new PFRS account at the time that you return.

Terminating Employment

If you terminate employment before you are eligible to retire, your options regarding your PFRS account vary depending on your vesting status at the time of your termination (see “Vesting” on page 10).

If you are vested when you terminate employment, you can apply for a Deferred Retirement, with payments to begin at age 55 (see “Deferred Retirement” on page 25). You must file an application for retirement through MBOS before the requested date of retirement. The distribution must commence no later than April 1 of the year following your attainment of age 70½.

If you are not vested before you terminate employment, you will not be eligible to receive a monthly retirement benefit before your account expires — unless you are age 53 or older, or eligible for an Ordinary or Accidental Disability Retirement benefit.

If you terminate employment *before* vesting, you can choose to:

- Make an immediate withdrawal of your contributions; or
- Leave your contributions on deposit with the PFRS and retain all the service credit you have earned, in the event you return to covered employment and resume membership. As a general rule (see “Exceptions” listed later in this section), if you do not resume active membership within two years, your account will automatically expire and you will be requested to withdraw your contributions.

*Except if terminated for cause on charges of misconduct or delinquency (see page 39).

If your account expires or you elect to voluntarily withdraw your personal contributions, all service credit represented by the withdrawal is canceled. If you later return to PFRS covered employment, you may then be eligible to purchase the service (see “Purchasing Service Credit” on page 11) to have it credited to your new account.

Expired Accounts

If your membership has been inactive for 18 consecutive months, you are not vested, and you have not filed for and received a withdrawal of contributions, the Division of Pensions and Benefits will send an *Expiration Notice* to your last known address (and a copy to your last employer in case they have a more current address) to remind you that your money is still being held in the retirement system. When notified, you should submit an *Application for Withdrawal* through MBOS to obtain your contributions in the retirement system.

After two years has passed, your account will expire.

Should you return to covered employment *before* the two-year period ends, you have the option of an Intrafund or Interfund Transfer if you otherwise qualify (see “Transfers” on page 8).

Should you return to covered employment *after* your account has expired or you have withdrawn your account, you will be treated as a new member in all respects. Service credit from a former membership may be purchased by members returning to the system after the withdrawal of money from a former account.

Exceptions

Your PFRS membership will not end two years after your last contribution if:

- You are granted an official leave of absence by your employer beyond the two-year period. If your leave of absence extends beyond two years, your two-year inactive period will not begin until your leave of absence ends;
- You lose your job through no fault of your own, either laid off or your position is abolished. Your inactive membership can be extended up to five years for the purpose of return to employment.

For an extension to be granted in these cases, you must submit documentation from your employer showing that your leave of absence was officially extended **or** that your employment was not terminated voluntarily or for cause.

This extension **only** gives you the right to retain your contributions and service credit in the retirement system should you again obtain public employment (police members of the PFRS see “Age Requirements — Prior Police Service” on page 3). It gives you no other right to benefits. Therefore, you cannot qualify for a retirement benefit unless you return to PFRS employment during the period of extended inactive membership in order for your account to be reactivated. You would then be eligible to apply for a retirement allowance provided that you meet all other qualifications for retirement.

EXAMPLE: *If you were age 50 with five years of membership credit at the time of layoff, your account could remain inactive until you reach age 55; however, you would not be able to qualify for retirement benefits at age 55 unless you returned to active employment before filing for retirement.*

Withdrawing Contributions

If you terminate covered employment before retirement, you may withdraw all your contributions to the fund, less any outstanding loan or other obligations. You may withdraw only the money you have contributed and partial withdrawals are not permitted. **Upon your withdrawal, all rights and privileges of membership end.**

Since the employer/employee relationship must be severed, no withdrawal will be paid if there are unresolved legal matters concerning your termination of employment.

All withdrawal requests must be submitted using the *Application for Withdrawal* program of the Member Benefits Online System (MBOS).

See **page iii** for more information about registering for MBOS.

In accordance with federal law, income tax must be withheld on certain pension distributions that produce an annual taxable income of \$200 or more unless the taxable amount is directly rolled over into an individual retirement arrangement (IRA) or a new employer's retirement plan (if applicable). To qualify, this direct rollover must occur within 60 days of the withdrawal check date. If payment is made directly to you, the taxable portion is subject to 20% federal income tax withholding. In addition, if you receive payment before you reach age 59½ and you do not roll over the taxable amount, you may have to pay an extra tax equal to 10% of the taxable portion of any payment. If you have any questions concerning this federal law, call the Internal Revenue Service at 1-800-829-1040.

You may call the Division of Pensions and Benefits Automated Information System at (609) 292-7524 for general information concerning withdrawals or information pertaining to your particular withdrawal claim. If you are age 55 or older or have 10 years or more of service credit when you file for withdrawal, you must waive any rights you have to any retirement or death benefit. At the time you apply for withdrawal, the Division will indicate how to obtain an estimated amount of any retirement benefit and will require a signed waiver of such benefits, should you still wish to withdraw. You must take a distribution by no later than April 1 following the calendar year in which you turn 70½.

No withdrawal application can be processed until all the necessary information has been received from you and your former employer.

WORKERS' COMPENSATION

As long as you are receiving Workers' Compensation benefits (either temporary or permanent), you retain the same status as an active member. You cannot withdraw from the PFRS while you are receiving Workers' Compensation, have a claim pending, or are involved in litigation regarding Workers' Compensation unless the employer/employee relationship is severed and you complete a waiver of retirement benefits.

Your employer is obligated by statute to pay your pension contribution based on the full salary you were receiving immediately before you start receiving Workers' Compensation benefits, even if the total compensation you receive is less than 100% of your full salary.

Your employer is not obligated to make voluntary contributions, such as loans or purchase arrears payments. However, as the employee, you must continue to make contributions, or the balances may be deemed as distributions.

The employer's obligation to make pension contributions for members receiving Workers' Compensation ceases when:

- The employee voluntarily files for a retirement allowance that is subsequently approved;
- The employer files an involuntary disability retirement application for the employee that is subsequently approved (see page 27);
- The employee voluntarily resigns from employment for reasons other than the inability to perform the job's functions due to the incident that was the basis for the Workers' Compensation claim; or
- The employee is terminated by the employer for reasons unrelated to a Workers' Compensation award.

If you are approved for Ordinary Disability Retirement benefits and receive a Workers' Compensation award, your Workers' Compensation award may be reduced by the amount of your Ordinary Disability Retirement benefit.

If you are approved for Accidental Disability Retirement benefits and receive periodic Workers' Compensation benefits, the pension portion of your retirement allowance will be reduced dollar-for-dollar by the amount of the periodic benefits.

For additional information, see Fact Sheet #45, *Workers' Compensation*.

APPEALS

If you wish to appeal any administrative decision of the Division of Pensions and Benefits, address your appeal to:

**Secretary to the Board of Trustees
Police and Firemen's Retirement System
Division of Pensions and Benefits
PO Box 295
Trenton, New Jersey 08625-0295**

Your appeal to the Board of Trustees must include a copy of the administrative decision, a detailed explanation of your basis for disagreement with the decision, and all supporting documentation that you wish to be considered by the Board.

The Board of Trustees will address your appeal and issue a written determination.

If you disagree with the determination of the Board of Trustees, you may request a formal hearing before an Administrative Law Judge within the Office of Administrative Law (OAL), by sending a written statement to the Board of Trustees within 45 days from the date of the Board's decision. State in detail the reasons for your disagreement with the Board's determination and submit any and all supporting documentation if you have not already done so. If no such written statement is received within the 45-day period, the determination shall be considered final.

If your request for a formal hearing is approved by the Board of Trustees, the Board will submit the matter to the OAL. Upon completion of this hearing, the Administrative Law Judge will submit to the Board an initial decision which the Board may adopt, reject, or modify. If the Board rejects or modifies the initial decision, it shall issue a detailed findings of fact and conclusions of law which will become the Board's final administrative determination and may then be appealed to the Superior Court, Appellate Division.

When the Board of Trustees reviews your request for a hearing in the OAL, it determines whether the matter involves contested facts or is solely a question of law. If the appeal involves solely a question of law, an OAL hearing is not likely to be approved. In that case, the Board shall reject your hearing request and issue detailed findings of fact and conclusions of law. These findings and conclusions will become the Board's final administrative determination and may be appealed to the Superior Court, Appellate Division.

Benefits and provisions of the Police and Firemen's Retirement System are subject to changes by the legislature, courts, and other officials. While this booklet outlines the benefit and contribution schedules of the Police and Firemen's Retirement System, it is not a final statement. Complete terms governing any employee benefit program are set forth in the New Jersey Statutes Annotated. Regulations, new or amended, are published in the New Jersey Register by the State Office of Administrative Law supplementing the New Jersey Administrative Code.

POLICE AND FIREMEN'S RETIREMENT SYSTEM HANDBOOK EVALUATION FORM

Please rate the following aspects of this handbook:

1. Explanation of the provisions of the Police and Firemen's Retirement System.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Excellent	Above Average	Average	Below Average	Poor

2. Ease of use (readability, ease in finding needed information, etc.).

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Excellent	Above Average	Average	Below Average	Poor

3. Usefulness as a future reference.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Excellent	Above Average	Average	Below Average	Poor

4. I found the following section(s) or subject(s) helpful:

5. I found the following section(s) or subject(s) confusing:

6. Questions or comments:

If you need an answer to a question, be sure to include your full name, the last four digits of your Social Security number or PFRS membership number, a daytime telephone number, and return address:

Name: _____

SSN or Member Number: _____ Phone: _____

Address: _____

Please mail your completed evaluation form to:

**Division of Pensions and Benefits
ATTN: Office of Communications
PO Box 295
Trenton, NJ 08625-0295
pensions.nj@treas.nj.gov**

Thank you for your time and consideration in completing and returning this evaluation.

