

Employment After Retirement

Police and Firemen's Retirement System

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

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

PFRS RETIREE RETURNING TO WORK IN A PFRS COVERED POSITION

PFRS Membership Continued — No 30-Day Break In Service

When you return to PFRS covered employment is critical in determining your PFRS status.

You are not considered to be "retired" from the PFRS until your retirement becomes "due and payable" and after the employer/employee relationship is severed. This occurs after there has been a break in employment without pay of at least 30 days immediately following your retirement date, or 30 days after the approval of your retirement by the PFRS Board of Trustees, whichever is later.

This means that if you return to a PFRS covered position — on either a paid or voluntary basis — before the 30 days have elapsed, you should expect to continue enrollment in the PFRS. Your retirement will not be considered valid, and you will remain an active employee under your original PFRS account.

PFRS Membership Continued — Appointive Administrative or Supervisory Position Service

N.J.S.A. 43:16A-3.1 addresses the special situation of a PFRS retiree who is appointed to a position with a law enforcement unit or firefighting unit with

administrative or supervisory duties over police officers and/or firefighters. If a PFRS retiree is appointed to this type of position less than six months after retirement, that retiree must suspend his/her retirement allowance and must reenroll in the PFRS.

PFRS Enrollment Required

N.J.S.A. 43:16A - 15.3 requires that if you return to employment covered by the PFRS, you must suspend your retirement and reenroll in the PFRS as a condition of your employment. All eligibility requirements must be met except the age requirement.

If reenrolled, your retirement allowance will be suspended for the duration of your employment, and you become a new active contributing member of the PFRS. If you die while in the second membership, no benefits from the previous membership or retirement are payable. This means that death benefits (life insurance) from the suspended retirement would not be paid to your beneficiaries.

If you return to employment under the PFRS and are eligible for membership but you fail to reenroll, you will be required to reimburse the retirement system in the amount of any retirement benefits you received since the date you should have been reenrolled. In addition, you would be required to pay pension contributions in the form of back deductions from your enrollment date. Your employer may also be liable for pension and Social Security contributions.

There is no limitation on the amount of reimbursement that may be recovered by the retirement system in these situations.

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

1. Your employer must submit a PFRS *Enrollment Application* on your behalf to the Division of Pensions and Benefits.
2. Your retirement allowance will be suspended as of the date you are required to reenroll in the PFRS. The date of enrollment is not negotiable.

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3. Your *Enrollment Application* will be processed and a *Certification of Payroll Deductions* will be sent to your employer. This certification will include instructions to collect pension contributions and any back deductions, if appropriate.
4. You will be billed for any retirement payments you received after the effective date of your new PFRS enrollment. Because of the sequence of events, most retirees are enrolled in the PFRS on a retroactive basis. You should therefore anticipate that you will be required to refund one or more pension checks to the retirement system.
5. On or before the effective date of your second retirement, you must file an *Application for Retirement Allowance*. You must meet all of the qualifications and requirements for retirement under the PFRS.

Calculation of Retirement Allowance Based on New Period of Service

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

In addition, you will receive a retirement allowance based upon your new period of service using the Service Retirement formula that is equal to 2 percent of Final Compensation for each year of creditable service. These two benefits are paid in one retirement check.

Under no circumstances can the two accounts be combined to produce a benefit to exceed the benefit you would have received had you remained continuously employed.

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

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

N.J.S.A. 43:16A-9 provides that in the event of death occurring in the first year of creditable service, the survivor's benefit is computed at the annual rate of compensation. If your salary upon return to covered employment is less than the salary used to calculate your original retirement allowance and you die as an active employee, your eligible survivor's benefit would be smaller than it would have been had you remained retired. Conversely, should your salary be higher, the survivor's benefit would increase.

Life Insurance Benefit for a PFRS Member Returning to Covered Employment

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

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

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

DISABILITY RETIREES RESTORED TO ACTIVE SERVICE IN THE PFRS

If you are a disability retiree, before you can return to active service in a PFRS eligible title you must be under age 55 and:

1. Make a written request to return to active service to the Division of Pensions and Benefits.
2. Submit a physician's report to the Division certifying that you are no longer disabled and can return to employment. The physician should be one with the same specialty as the physician who originally certified that you were disabled.
3. Be examined by a physician appointed by the PFRS Board of Trustees.

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

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4. Be approved for return to active service by the PFRS Board of Trustees.

Please note: The process for returning to employment from a disability retirement may take up to six months so please plan accordingly. Processing times vary and cannot begin until the Division of Pensions and Benefits receives all the necessary information from you and your medical providers. *If you are within a year of reaching the age of 55, all required documentation must be received by the Division six months prior to your turning age 55.*

Upon returning to active service, you must reenroll in the retirement system. Deductions for pension are resumed and you are treated as a new active employee in all respects. Upon subsequent retirement, you will receive a benefit based on total service.

OTHER CONSIDERATIONS

Health Benefits

Retired Group Coverage

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

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

Chapter 330 Members — Chapter 330, P.L. 1997, provides SHBP or SEHBP coverage for certain retired police officers and firefighters whose employers do not pay for the health benefits for their

retirees. Under this law, the State of New Jersey pays a portion of the retiree's premiums with the retiree paying the remainder.

If you participate in the SHBP or SEHBP due to the provisions of Chapter 330, and obtain health benefits coverage **from any other employment** (including employment in the private sector), you are not eligible for Chapter 330 coverage while that other coverage is in effect. This is true even if your retirement benefit is not affected by your employment. You should notify the Division of Pensions and Benefits, in writing if you have active coverage as an employee. When coverage from other employment ends, you are eligible to reenroll in Chapter 330 coverage as long as you notify the Division of the loss of other coverage within 60 days. If you do not notify the Division within this time frame, you cannot reenroll for coverage until you become eligible for Medicare coverage. Should you die as an active employee, your spouse, civil union partner, or eligible same-sex domestic partner may only be eligible to pay for COBRA coverage from the active employer for 36 months.

Social Security Benefits

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

SPECIAL NOTICE FOR RETIREES IF REENROLLED TO A PFRS COVERED POSITION

If you are reenrolled in the PFRS after retirement, you are treated as an active member in all respects. Your retirement allowance is suspended as a result of a return to PFRS covered employment and no retirement or insurance benefits associated with your former retirement will be paid to your beneficiary should you die during your second membership. Once you retire again, the death benefits associated with retirement become effective.

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