
A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

GROUP LIFE INSURANCE

Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF)

CONTRIBUTORY AND NONCONTRIBUTORY GROUP LIFE INSURANCE

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

NONCONTRIBUTORY GROUP LIFE INSURANCE — Policy # **G-14800**, is provided by your employer through the pension fund. There is no cost to you for this coverage.

CONTRIBUTORY GROUP LIFE INSURANCE is the insurance for which you pay. The cost of the insurance for PERS members (policy # **G-13900**) is 0.5 of 1 percent (.005) of base salary, and for TPAF members (policy # **G-14300**) is 0.4 of 1 percent (.004) of base salary.

Note: The employer pays the contributory group life insurance premium for covered TPAF members who are age 70 and older.

The law requires that you must be covered¹ by contributory insurance for the first 12 months of your membership. After the 12 months have elapsed, you may cancel this coverage if you wish by filing a *Notice of Withdrawal from Contributory Group Life Insurance*. If you cancel this coverage, you cannot be reinstated nor are your contributions refunded.

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

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

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

- your membership status at the time of death;
- your salary²; and
- your age.

GROUP LIFE INSURANCE COVERAGE FOR PERS MEMBERS

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

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

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

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PERS INSURANCE COVERAGE WHILE RETIRED		
Type of Retirement	Death before age 60	Death after age 60
Service & Veteran	Does not apply	3/16 x salary
Early	3/16 x salary	3/16 x salary
Deferred	Does not apply	3/16 x salary
Disability	1½ x salary	3/16 x salary

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

GROUP LIFE INSURANCE COVERAGE FOR TPAF MEMBERS

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

TPAF INSURANCE COVERAGE WHILE RETIRED				
Type of Retirement	Members with noncontributory insurance only		Members with both non- and contributory insurance	
	Death before age 60	Death after age 60	Death before age 60	Death after age 60
Service	Does not apply	3/16 x salary	Does not apply	7/16 x salary
Early & Veteran	3/16 x salary	3/16 x salary	7/16 x salary	7/16 x salary
Deferred	Does not apply	3/16 x salary	Does not apply	7/16 x salary
Disability	1½ x salary	3/16 x salary	1¾ x salary	7/16 x salary

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

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

PAYMENT OF GROUP LIFE INSURANCE

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

- **LUMP SUM**
- **ANNUITY CERTAIN** — equal installments over a period of years. If your beneficiary dies before all the payments have been made, the remaining monies will be paid in a lump sum to your beneficiary's designated beneficiary.

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- **LIFE ANNUITY** — paid monthly to your beneficiary for life. Payment continues even if your beneficiary outlives the actual amount of the benefits. For this reason, the value of the annuity is based on the amount payable and the life expectancy (age) of the beneficiary. Payments cease at the beneficiary's death.

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

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

Taxation of Group Life Insurance Payments

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

GROUP LIFE INSURANCE AND LEAVE OF ABSENCE

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

- up to two years while on an official leave for personal illness. In this case, contributions **are not** necessary to continue coverage under the contributory plan.
- up to one year while on an official leave to fulfill a residency requirement for an advanced degree or as a full-time student at an institution of higher education. In this case, contributions **are** necessary to continue coverage under the contributory plan³.
- up to 93 days while on official leave for personal reasons or family leave. In this case, contributions **are** necessary to continue coverage under the contributory plan³.

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

DESIGNATING A BENEFICIARY

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

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

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

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

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

CONVERSION OF GROUP LIFE INSURANCE

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

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

TAXATION OF GROUP LIFE INSURANCE BENEFITS

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

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

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

To determine the taxable amount, if any, add the amount of your noncontributory life insurance coverage to your contributory life insurance coverage then subtract \$50,000 from that total. The premium rates are then applied to the remaining life insurance amount. The premium costs for the life insurance are determined by the IRS based on your age (see chart above) and your salary.

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The premiums you pay for your contributory life insurance (PERS .005 x salary or TPAF .004 x salary) are subtracted from the premium costs determined by the IRS. The remaining premium cost (if any) is the taxable amount and is added to your *Form W-2* for that year.

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

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

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

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

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

Waiving Noncontributory Group Life Insurance over \$50,000

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

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

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

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

Before completing the waiver, you should completely understand the ramifications of waiving your noncontributory life insurance. For more information, see Fact Sheet #22, *Waiver of Noncontributory Group Life Insurance over \$50,000* and refer to Internal Revenue Service *Publication 525, Taxable and Nontaxable Income*.

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