

## From The Fact Sheets (Adapted)

### Temporary Layoff's Impact on Pension

Temporary layoff is treated, for pension purposes, as an approved leave of absence without pay.

**Defined Benefit Plan Pensions** — The State administered defined benefit plan pensions include the Teachers' Pension and Annuity Fund (TPAF), Public Employees' Retirement System (PERS), Police and Firemen's Retirement System (PFRS), State Policemen's Retirement System (SPRS), and Judicial Retirement System.

If you are a member of one of the State-administered defined benefit plan pensions and are temporarily laid-off, there may be some consequences regarding pension and group life insurance.

**If you are temporarily laid-off in a continuous block of time** and therefore earn no pay in any given **pay period** — or any given **month** for State authorities, college/universities, or local civil service employers — you will receive no pension service credit for those pay periods/months since you did not work and no contributions were taken. Upon return to active payroll status, you will be able to purchase this service credit like any other authorized leave of absence.

**If you are temporarily laid-off over several pay periods/months**, so that there are no pay periods/months without pay, there will be no impact on your pension as long as you earned sufficient salary to take your normal pension deductions during each pay period\*/month. Since your regular deduction is based on your contractual salary, you will receive credit for both service and full salary during that pay period/month if the deduction is taken.

Conversely, if you do not earn sufficient salary in any given pay period/month to cover your regular pension deductions, then you will be considered to be on a leave of absence without pay for that pay period/month.

*\*Centralized Payroll has an established sequence for taking deductions from salary. Federal income tax, Social Security, Medicare, unemployment, and disability taxes are always taken as a percentage of your gross salary. The pension deduction (current employee contribution, back deduction, and contributory life insurance) are taken after any health benefits, accident insurance, food and other maintenance deductions.*

**Defined Contribution Retirement Program (DCRP)** — If you are a DCRP member and begin a temporary layoff on intermittent days or for a partial month but earn more than 50 percent of your regular base salary, the full 5.5 percent employee deduction and the 3 percent employer share will continue to be contributed as though you received full base salary.

If you receive less than 50 percent of your base salary, no employee or employer deductions are taken and no service credit is earned for that month. Since there are no provisions for purchasing service credit in the DCRP, that period of service cannot be reclaimed.

**Alternate Benefits Program (ABP)** — If you are an ABP member and begin a temporary layoff on intermittent days or for a partial month but earn more than 50 percent of your regular base salary, the full 5 percent employee deduction and the 8 percent employer share will continue to be contributed as though you received full base salary.

If you receive less than 50 percent of your base salary, no employee or employer deductions are taken and no service credit is earned for that month. Since there are no provisions for purchasing service credit in the ABP, that period of service cannot be reclaimed.

### **Temporary Layoff's Impact on Group Life Insurance**

If you are temporarily laid-off on intermittent days, State group life insurance coverage will not be affected. The contributory life insurance premium (if applicable) will continue to be deducted from your paycheck at the rate you paid while receiving full salary.

If you are temporarily laid-off up to 30 continuous days, group life insurance coverage will extend throughout the duration of the leave.

If a temporary layoff extends beyond 30 continuous days, you may continue group life insurance coverage for up to 93 days by remitting the premiums in advance to your employer. This mirrors the group life insurance requirements for a leave of absence without pay for personal reasons.

If you are temporarily laid-off longer than 93 consecutive days (possible when the temporary layoff extends over two calendar years), the group life insurance coverage will cease until you return to active employment. You may choose to convert your group life insurance coverage to a private policy with the Prudential Life Insurance Co. The converted policy would have to be surrendered when you return to active payroll status in order to reinstate your State group life insurance coverage. If you do not surrender the converted policy, you will be required to submit satisfactory proof of insurability before you can be covered again under State group life insurance coverage.

For more information, about conversion, see Fact Sheet #13, *Conversion of Group Life Insurance*, which is available from your employer, by contacting the Division of Pensions and Benefits, or over the Internet at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

### **Temporary Layoff's Impact on Loans**

If you are temporarily laid-off on intermittent days, there will be no change or interruption in your loan repayment schedule so long as sufficient salary is earned each pay period/month to cover the pension loan deduction. Likewise, as long as you are on temporary layoff and receive sufficient salary each pay period/month to meet all pension obligations, you may continue to exercise the option to take a new pension loan.

If you are temporarily laid-off for continuous days and receive no pay, there can be no loan deductions for pay periods/months not worked. If you miss a loan payment, the period of time over which the loan is repaid will be extended. However, when you return to active payroll status your employer should contact the Division to have the loan recertified to include accrued interest when regular payments resume.

**Note:** Loans may only be applied for when you are in active payroll status; that is, you earn enough in a pay period/month to cover all regular deductions and receive pension service credit.

### **Temporary Layoff's Impact on Service Purchase Payments (Arrears)**

Arrears payments are handled much like loan payments. There will be no change or interruption in repayment schedules if the temporary layoff is intermittent and/or sufficient salary is earned in each pay period/month to cover all pension deductions.

If you are temporarily laid-off and no days are worked in one or more full pay periods/months, arrears payments are suspended until you return to pay status. There will be no need to recertify arrears payments upon return to active employment.

New purchase requests will also be processed by the Division so long as you have made a pension contribution within the past two years.

### **Temporary Layoff's Impact on Supplemental Annuity Collective Trust (SACT)**

During a period of intermittent temporary layoff, deductions for SACT Regular program will continue at the employee's elected rate based on actual base salary earned. Salary reductions for SACT Tax-Sheltered program will continue at the employee's elected rate based on actual salary earned. In the event a temporary layoff is extended, no contributions can be taken for any pay period/month without salary, or with insufficient pay to cover regular deductions.

### **Temporary Layoff's Impact on NJ State Employees Deferred Compensation Plan (State Government Employees Only)**

During a period of intermittent temporary layoff, deductions will continue at the employee's elected rate of deferral based on actual salary earned. In the event a temporary layoff is extended, no contributions can be taken for any pay period/month without salary.