



# Termination of Employment Through Resignation, Dismissal, or Layoff

**Information for:**  
Public Employees' Retirement System (PERS)  
Teachers' Pension and Annuity Fund (TPAF)  
Police and Firemen's Retirement System (PFRS)  
State Police Retirement System (SPRS)

If you terminate employment you need to make many important benefits decisions, including what to do about your pension account, health benefits, and life insurance. If you participate in a voluntary program, such as the New Jersey State Employees' Deferred Compensation Plan (NJSEDCP) and/or the Supplemental Annuity Collective Trust (SACT), you will have decisions to make regarding those investments as well.

## PENSION ACCOUNT

When your employment ends, you have several options for your pension account. If eligible, you may:

- Retire, or file for a Deferred Retirement;
- Leave your contributions in the retirement system; or
- Withdraw your pension contributions.

Your eligibility to retire is based upon your membership tier\* at the time you enrolled in the pension system. To retire, you must have reached normal retirement age or have a qualifying amount of service credit. Your retirement allowance is based on the formula for the type of retirement for which you qualify. If you are vested with 10 years of service in a New Jersey State-administered retirement system, you may apply for a Deferred Retirement, which will begin the first of the month after reaching the retirement age based on your tier. Disability Retirement or long-

term disability is available based on the membership tier in which you are enrolled if leaving work due to poor health.

If you do not qualify for immediate or Deferred Retirement, you may leave your contributions in the pension system. Most accounts remain inactive for a two-year period after your last pension contribution. However, if you provide written proof to the New Jersey Division of Pensions & Benefits (NJDPB) that you lost your job through a layoff, abolishment, or reduction in force, you may request to extend the period of inactivity for up to five years in the Police and Firemen's Retirement System (PFRS) and State Police Retirement System (SPRS), or up to 10 years in the Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF). Send your written notification, along with supporting documentation, to: New Jersey Division of Pensions & Benefits, Withdrawal Section Supervisor, P.O. Box 295, Trenton, NJ 08625-0295.

**Note:** This extension does not mean that a member whose employment terminates before normal retirement age, and subsequently reaches normal retirement age within that five- or 10-year period, can apply for a Service Retirement. It means that if the member returns to employment during that period, pension contributions and service credit can resume in the same account.

You also have the option to withdraw your contributions. If you have at least three years of credited service, in addition to the return of your contributions you will receive a minimal amount of interest. (PFRS/SPRS accounts do not accrue interest, and additional interest will not accrue in PERS/TPAF accounts once an account expires.)

## HEALTH BENEFITS

For loss of coverage due to termination of employment, reduction of hours, or leave of absence, the employee and/or dependents are entitled to 18 months of coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Time on a leave of absence just before enrollment in COBRA counts towards the 18-month period and will be subtracted from the 18 months. You may elect to continue any or all of the health, dental, and prescription coverage you had as an active employee. You pay the group rate plus a two percent administrative fee for the extended coverage. Your benefits administrator should provide you with a COBRA package.

If you are either currently enrolled in or eligible for the State Health Benefits Program (SHBP) or School Employees' Health Benefits Program (SEHBP) and file for retirement, you will be sent a letter offering continuation of medical and dental coverage under the Retired Group. (This does not include a Deferred Retirement, unless you are a TPAF member or a

\*Please refer to the Retirement - How to Apply Fact Sheets for the fund in which you are enrolled regarding information for normal retirement age for the tier in which you are enrolled.

PERS member employed by a board of education or county college with 25 years or more of service credit in the retirement system.) If you are not eligible for the SHBP or SEHBP, contact your benefits administrator regarding health benefits coverage at retirement.

**Note:** Employees who, at retirement, are eligible to enroll in SHBP or SEHBP Retired Group coverage cannot enroll for health benefits coverage under COBRA.

## GROUP LIFE INSURANCE

Most employees have group life insurance coverage through the retirement system while employed. That coverage reduces at retirement, or terminates completely if you have less than 10 years of service credit (except for Accidental Disability Retirement). If you are not retiring, your life insurance ends 31 days after you terminate employment. If you apply for a Deferred Retirement, your life insurance ends 31 days after your termination from employment and reinstates, at the decreased retired amount, upon your effective retirement.

The Prudential Insurance Company underwrites the retirement systems' group life insurance policies. You may buy non-group life insurance to replace the group insurance lost by contacting Prudential at 1-855-364-7783 within 30 days of your termination. By converting from a group policy to a non-group policy with Prudential, you cannot be denied coverage for health reasons.

## DEFERRED COMPENSATION

If you are enrolled in the NJSEDCP, also known as Deferred Compensation, and terminate employment, contact Prudential Financial at 1-866-NJSEDCP (1-866-657-3327) for more information.

## SUPPLEMENTAL ANNUITY COLLECTIVE TRUST (SACT)

If you are a member of the SACT program, your options at termination of employment are contingent upon the treatment of your regular pension account.

You can contact the SACT program in writing or call (609) 292-7524. A representative will answer any questions, forward personal account information, and furnish you with any necessary forms. Your forms should be filed as early as possible since your account does not participate in the SACT after the close of the month in which you cease to be a member of the pension system.

## OTHER PENSION ACCOUNT CONSIDERATIONS

### Loans

If you terminate employment and retire with an outstanding loan balance, you may carry your loan into retirement. Your monthly loan payment will be calculated to have the loan plus interest satisfied by your five-year end date.

If you withdraw your pension contributions, the outstanding loan balance is deducted from the amount payable to you.

If your pension account remains in an inactive status, your loan continues to accrue interest. You will be notified after nonpayment (zero contributions) toward the balance of your outstanding loan and offered the following choices:

- Lump-sum payment of the balance plus interest;
- Repayment of the loan in monthly installments through personal billing; or
- Return to employment and pay through payroll deductions. If you return to employment, the loan is recalculated and a certification is issued to begin the new payment schedule.

Failure to repay the loan as scheduled (through one of the options previously listed) will result in the unpaid loan balance being declared a deemed distribution. It will then be reported to the Internal Revenue Service (IRS) as taxable income. See the *Loans* Fact Sheet for more information.

### Purchase

If you retire with an outstanding balance on your purchase of service credit, you have two options: remit a check for the balance of the purchase and receive credit for the purchased time, or receive prorated retirement credit for the amount of time purchased prior to termination.

For members paying for a purchase through payroll deductions, if you terminate employment and return to a position with another employer covered by the same retirement system within two years, the new employer will be sent a certification to restart deductions for the purchase, as long as you have not withdrawn your contributions. If you return to the same employer, deductions should automatically resume.

However, if you have been off payroll for more than two years (other than for a leave of absence), the remainder of the purchase will be canceled and you will receive prorated credit for the service purchased to the date that the purchase deductions ceased. Before the purchase is canceled, you will be given a chance to pay the remaining balance in a lump sum to receive full service credit.

See your retirement system's *Member Guidebook* for more information about unsatisfied balances at retirement.

## ADDITIONAL INFORMATION AVAILABLE

If you have questions about any of the topics described above, contact your benefits administrator or call the NJDPB Office of Client Services at (609) 292-7524.

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This fact sheet is a summary and not intended to provide all information.  
Although every attempt at accuracy is made, it cannot be guaranteed.

The fact sheets listed below are available on our website at: [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions)

- *Retirement — How to Apply for PERS and TPAF members*
- *Retirement — PERS and TPAF Pension Options*
- *Health Benefits Coverage — Enrolling as a Retiree*
- *Conversion of Group Life Insurance*
- *Deferred Retirement*
- *Disability Retirement Benefits*
- *Retirement — How to Apply for SPRS members*
- *Retirement — How to Apply for PFRS members*
- *Tax Information for Pension Distributions*
- *Continuation of Health Benefits Under COBRA*
- *Withdrawal from the Retirement System*

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*This fact sheet has been produced and distributed by:*

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*For the hearing impaired: TRS 711 (609) 292-6683*  
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