



# State Police Retirement System (SPRS) Member Guidebook



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# SPRS General Information

## FOREWORD

The *New Jersey State Police Retirement System (SPRS) Member Guidebook* provides a summary description of the benefits of the plan and outlines the rules and regulations governing the plan. The *SPRS Member Guidebook* should provide you with all the information you need about your SPRS 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 guidebook, containing current updates, is available for viewing on our website at: [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions) While at the NJDPB website, be sure to check for SPRS-related forms, fact sheets, and news affecting the SPRS.

The purpose of this guidebook 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 the "Contacting the State of New Jersey Division of Pensions & Benefits (NJDPB)" section.

Since this is your guidebook, we would appreciate any comments or suggestions for improvement that you might have. Please send them to the address listed below:

**New Jersey Division of Pensions & Benefits**  
**ATTN: Office of Communications**  
**P.O. Box 295**  
**Trenton, NJ 08625-0295**

## THE RETIREMENT SYSTEM

The State Police Retirement System (SPRS) was established in 1965 as the successor to the State Police Retirement and Benevolent Fund. The NJDPB is assigned all administrative functions of the retirement system except for investment.

The SPRS Board of Trustees has the responsibility for the proper operation of the retirement system. The Board consists of:

- Two active or retired members appointed by the Superintendent of the State Police;
- The State Treasurer; and
- Two trustees appointed by the Governor.

## CONTACTING THE NEW JERSEY DIVISION OF PENSIONS & BENEFITS (NJDPB)

### Member Benefits Online System

The Member Benefits Online System (MBOS) allows registered SPRS members access to their pension and State Health Benefits Program (SHBP) account information online. Resources available through MBOS include: member account information; beneficiary designation; online pension loan; purchase of service credit; retirement applications; withdrawal application; and the Supplemental Annuity Collective Trust (SACT) information (if applicable).

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 website. Registration information can be found on the NJDPB website.

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

### Telephone Numbers

- To speak with a representative about your SPRS account or SHBP account, call (609) 292-7524 weekdays (except State holidays). The most current hours of operation can be found on our website. If you require the services of a relay operator, please dial 711 and provide the operator with the following phone 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 (NJSEDCP), call Empower (formerly 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 NJSEDCP and provide enrollment and distribution forms.
- To speak with a plan representative about the SACT, call (609) 292-7524 weekdays (except State holidays). The most current hours of operation can be found on our website. SACT representatives will answer your questions and provide enrollment and distribution forms.

### Internet, Email, and Mailing Address

General information and most publications of the NJDPB can be found on our website. You can email the NJDPB at: [pensions.nj@treas.nj.gov](mailto:pensions.nj@treas.nj.gov)

Our postal address is:

**New Jersey Division of Pensions & Benefits**  
**P.O. 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 NJDPB offers individual counseling services to members of the retirement systems and other benefit programs. Online video-based personal counseling appointments are available for members of the PERS, TPAF, PFRS, SPRS, and DCRP. In-person counseling is available by appointment only on a limited basis for members of the PERS, TPAF, PFRS, SPRS, and DCRP. Walk-in counseling services will not be available. Appointments can be made on our website.

## **PLAN INFORMATION**

### **Name of Plan**

The State Police Retirement System (SPRS) of New Jersey.

### **Administration**

The SPRS is a defined benefit plan administered by the New Jersey Division of Pensions & Benefits (NJDPB).

### **Provisions of Law**

The SPRS was established by New Jersey Statutes and can be found in the New Jersey Statutes Annotated, Title 53, Chapter 5A. 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 5 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 SPRS does not give you the right to be retained in the employ of the New Jersey State Police, 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 SPRS are subject to changes by the legislature, courts, and other officials. While this guidebook outlines the benefit and contribution schedules of the State Police 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.

# Enrollments

## OVERVIEW

### Eligibility Criteria

All individuals who become full-time troopers or commissioned or noncommissioned officers of the Division of State Police must enroll in the SPRS.

### SPRS Membership Tiers

SPRS members are categorized by specific membership tiers based on enrollment date. Membership tiers affect a member's enrollment and retirement eligibility. These membership tiers, pursuant to N.J.S.A. 53:5A-3, are defined as follows:

- **Membership Tier 1** — Members enrolled on or before May 21, 2010.
- **Membership Tier 2** — Members enrolled after May 21, 2010.

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

### Enrollment/Certification of Payroll Deductions

Your employer must complete an *Enrollment Application* to enroll you in the retirement system.

**Note:** If you are currently active in another New Jersey State-administered retirement system and wish to transfer your service credit to the SPRS, see the "Transfers" and "Service Credit" sections.

When enrollment processing is complete, you and your employer will receive a *Certification of Payroll Deductions* showing the date 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.

### Proof of Age

All members of the SPRS must provide documentation that proves their age. If possible, you should provide your proof of age to the NJDPB when you enroll; however, it does not delay the processing of your enrollment application if you do not. Proof of age will be required to be eligible to retire.

Acceptable evidence of your age includes a photocopy of:

- Birth certificate — with visible seal;
- Passport or a U.S. Passport Card;
- A current digital New Jersey driver's license or identification card (for non-drivers) issued by the N.J. Motor Vehicle Commission;
- A current digital Pennsylvania or New York driver's license; or
- Naturalization or immigration papers.

Unacceptable documentation includes expired documentation, out-of-state driver's licenses except P.A. and N.Y., 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* through MBOS. Your SPRS membership number is required and is included in the confirmation of your online enrollment.

**Note:** The new member's estate is the beneficiary on record until the NJDPB receives a properly completed designation.

For your protection, beneficiary designations cannot be accepted or confirmed over the telephone or by

email. Members can verify beneficiary designations on MBOS. Otherwise, the NJDPB will only accept a written request for verification 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 (OPRA). However, certain personal information, such as a member's address, telephone number, Social Security number, pension membership numbers, beneficiary information while the 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 NJDPB or the health benefit programs. Information about HIPAA is available on the NJDPB website.

The NJDPB 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 the *Identity Theft and Your Benefits* Fact Sheet.

### Member Contribution Rate

The SPRS member contribution rate is nine percent of base salary. The SPRS contribution rate also determines the minimum repayment amount for pension loans or for the cost of a purchase of service credit if it is certified after the date of the rate change.

**Pensionable Salary** — Your 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 New Jersey State Police.

Base salary for contribution purposes does not include overtime, bonuses, maintenance, or money a member receives as an adjustment before retirement; see the “Final Compensation” section. Your pension contributions are deducted from your salary and reported to the NJDPB by your employer.

- The SPRS contribution rate for Tier 1 members is applied to the full pensionable salary (up to the federal pensionable maximum described later in this section).
- The SPRS contribution rate for Tier 2 members is applied to the pensionable salary up to a compensation limit based on the annual maximum wage for Social Security deductions. Tier 2 members who earn in excess of the annual compensation limit will be enrolled in the Defined Contribution Retirement Program (DCRP) in addition to the SPRS. A contribution of 5.5 percent of the salary in excess of the limit (plus three percent from the employer) will be forwarded to a DCRP account (see the “Defined Contribution Retirement Program” section).

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

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

## TRANSFERS

### Interfund Transfer

An Interfund Transfer is the transfer of your account from an SPRS employer to employment covered by a different New Jersey State-administered retirement system, or vice versa.

If you are transferring your membership account from another New Jersey State-administered retirement system, an *Enrollment Application* and an *Application for Interfund Transfer* should be submitted by your employer to the NJDPB.

**Note:** Only service rendered as a member of the SPRS, or credited as equivalent to SPRS service, may be used to satisfy the minimum creditable service requirements for retirement. Under P.L. 2019, c. 251, and N.J.A.C. 17:5-6.1, service transferred from another New Jersey State-administered retirement system will be considered equivalent to SPRS service, upon payment of any required rate differential between the former pension system and the SPRS, for members who retire effective November 1, 2019, or thereafter.

If you terminate your current SPRS-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 the “Withdrawal from the Retirement System” section) or retired from the SPRS;
- It has not been more than two consecutive years since your last pension contribution; and
- You meet the eligibility requirements of the new retirement system.

If eligible, in order to transfer your membership account, an *Enrollment Application* for the new retirement system and an *Application for Interfund Transfer* should be submitted to the NJDPB.

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 SPRS 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 NJDPB.

### SERVICE CREDIT

Since your 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. You receive one pay period of service credit for each pay period a full pension contribution is made.

Service credit established under another State-administered, defined benefit retirement system such as the Police and Firemen’s Retirement System (PFRS) or the Public Employees’ Retirement System (PERS) may be purchased or transferred for credit in the SPRS.

Under P.L. 2019, c. 251, N.J.A.C. 17:5-4.2, and N.J.A.C. 17:5-6.1, service purchased or transferred from another New Jersey State-administered retirement system will be considered equivalent to SPRS service, upon payment of any required rate differential between the former pension system and the SPRS, for members who retire effective November 1, 2019, or thereafter.

**Note:** Only service rendered as a member of the State Police may be used to satisfy the minimum creditable service requirements for a Disability Retirement.

See the “Service under Other Pension Systems” section for more information.

### Credit For Military Service After Enrollment

The federal Uniformed Services Employment and Re-employment 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 the member makes the pension contributions that would have been normally required upon return and within the specific time frames specified under USERRA, 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 SPRS-covered employment, the employer should notify the NJDPB no later than 30 days after the employee's return by submitting a *Request for USERRA-Eligible Service* form. Once notified, the NJDPB will provide the employee with a quotation for the cost for 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 SPRS members. For additional information, see the *USERRA — Military Service After Enrollment* Fact Sheet.

### VESTING

You are vested in the SPRS after you have attained 10 years of service credit. Being vested in the SPRS 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 qualify (see the “Types of Retirement” section) or you may voluntarily withdraw from the retirement system (see the “Withdrawal From The Retirement System” section).
- If you are vested, terminate your employment without retiring or withdrawing, and return to SPRS-covered employment within two consecu-

tive 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 SPRS-covered employment two or more years after the last pension contribution, you cannot resume contributions to the vested account. Instead you will be enrolled in a new SPRS 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 the “Terminating Employment” section).

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\*Vesting provisions may not apply to SPRS members who are terminated for cause on charges of misconduct or delinquency (see the “Misconduct” section).

# Purchasing Service Credit

## OVERVIEW

Since your retirement allowance is based in part of 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.

## TYPES OF SERVICE ELIGIBLE FOR PURCHASE

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

### Former Membership Service in the SPRS

This includes all service credited under a previous membership in the SPRS which has been terminated after two consecutive years of inactivity in accordance with statute; or following the withdrawal by the member of the contributions made under such membership.

### Former Membership Service

This includes all service credited under a previous membership in another New Jersey State-administered retirement system (i.e., PERS, PFRS, etc.) which has been terminated after two consecutive years of inactivity in accordance with statute; or following the withdrawal by the member of the contributions made under such membership.

Under P.L. 2019, c. 251, and N.J.A.C. 17:5-4.2, the purchase of Former Membership service is considered equivalent to SPRS service for members who retire effective November 1, 2019, or thereafter.

**Note:** The receipt of a public pension or retirement benefit is expressly conditioned upon the rendering of honorable service by a public officer or employee. Therefore, the Board of Trustees shall disallow the purchase of all or a portion of former service it deems to be dishonorable in accordance with N.J.S.A. 43:1-3.

### Leave of Absence Without Pay

Members may be eligible to purchase service credit for official leaves of absence without pay. The amount of time eligible for purchase depends on the type of leave that was taken.

- Up to two years may be purchased for leaves taken for personal illness.
- Up to three months may be purchased for leaves taken for personal reasons.
- Maternity leave is considered personal illness.\*
- Child care leave is considered personal reasons.

A leave of absence without pay under a former membership in a New Jersey State-administered, defined benefit retirement system may be eligible for purchase.

### Military Service Before Enrollment

Members may be eligible to purchase service credit for up to 10 years of active service rendered prior to enrollment, provided the member is not receiving nor 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 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, annual summer training of a national guard or reserve unit, or time spent as a cadet or midshipman at one of the military academies. P.L. 2025, c. 53, also permits SPRS members to apply to purchase service credit for enrollment in a military service academy that resulted in attainment of a baccalaureate degree from the military service academy.

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 the *Veteran Status* Fact Sheet.

### Military Service After Enrollment

Under USERRA, members may receive credit for military service rendered after October 13, 1994. However, under N.J.A.C. 17:1-3.10, USERRA-eligible service will only be used toward vesting, retirement eligibility, the calculation of the retirement benefit and, if applicable, health benefits eligibility, if the employee pays the required pension contributions that would have been required if the employee had not left.

**Note:** There is a time-sensitive element to this purchase. See the *USERRA — Military Service After Enrollment* Fact Sheet.

### Out-of-State Service

Members may be eligible to purchase up to five years of public employment rendered in any state, county, municipality, school district, or public agency outside the State of New Jersey, provided the service rendered would have been eligible for membership in a New Jersey State-administered retirement system. This service

\* 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.

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 five 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 State-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.

### **Uncredited Service**

P.L. 2025, c. 53, permits SPRS members to apply to purchase service credit for service rendered while in the New Jersey State Police Academy provided such service led directly to enrollment in the SPRS, and/or up to one year of service credit as a Class 2 Special Law Enforcement Officer provided there is less than a 365-day break in service before the date of enrollment in the SPRS.

### **COST AND PROCEDURES FOR PURCHASING SERVICE CREDIT**

The cost of a purchase is based on four factors:

- A purchase factor based on your nearest age at the time the NJDPB receives your purchase application (see the "Purchase Rate Chart");
- The higher of either your current annual salary or highest fiscal year salary (July - June) posted to your membership account;
- 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 your employer with the important exception of Military Service before Enrollment where statute specifically provides that the employer will not be liable for any costs of the purchase. If you purchase Military Service before Enrollment, you are responsible for the full cost; therefore, the cost quoted to you for purchasing this type 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 the "Roll-over for Purchase Payment" section.

### **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 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 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.

To calculate the purchase cost of Military Service before Enrollment, U.S. Government Service, and Uncredited Service, the same procedure is used, except the resulting cost is doubled.

Age	SPRS Former Membership; Former Membership Under Another State System; Leave of Absence; Out-of-State	Military Service after SPRS Enrollment	Military Service Prior to SPRS Enrollment; U.S. Government; Uncredited
21	.075000	.034000	.150000
22	.075000	.034000	.150000
23	.075000	.034000	.150000
24	.075000	.034000	.150000
25	.075000	.034000	.150000
26	.075000	.034000	.150000
27	.075000	.034428	.150000
28	.075000	.034478	.150000
29	.075000	.034633	.150000
30	.075000	.034891	.150000
31	.075000	.035253	.150000
32	.075000	.035719	.150000
33	.075000	.036289	.150000
34	.076016	.036963	.152032
35	.077350	.037741	.154700
36	.078913	.038623	.157826
37	.080704	.039609	.161408
38	.082724	.040698	.165448
39	.084973	.041892	.169946
40	.087450	.043189	.174900
41	.090109	.044591	.180218
42	.092926	.046096	.185852
43	.095880	.047705	.191760
44	.098957	.049419	.197914
45	.102150	.052781	.204300
46	.105461	.052348	.210922
47	.108902	.051896	.217804
48	.112501	.051424	.225002

Age	SPRS Former Membership; Former Membership Under Another State System; Leave of Absence; Out-of-State	Military Service after SPRS Enrollment	Military Service Prior to SPRS Enrollment; U.S. Government; Uncredited
49	.116298	.050934	.232596
50	.120350	.120350	.240700
51	.120798	.120798	.241596
52	.121323	.121323	.242646
53	.121923	.121923	.243846
54	.122600	.122600	.245200
55	.123353	.123353	.246706

**Note:** The cost of purchasing Military Service after Enrollment under USERRA is based on the required pension contributions for the period of military service.

**Example:** Member, age 36, earning \$60,000 a year, wishes to purchase 18 months Leave of Absence Service: Purchase Factor = 0.078913

$\text{Purchase Factor} \times \text{Annual Salary} \times \text{Time Being Purchased} = \text{Purchase Cost}$

$0.078913 \times \$60,000 \times 1.5 \text{ years} = \$7,102.17$

### APPLYING TO PURCHASE SERVICE CREDIT

All purchase requests must be submitted using the *Purchase Application* through MBOS.

#### Exception to the MBOS Purchase Application

Members applying for the purchase of Military Service after Enrollment under the provisions of USERRA must submit the *Request for USERRA-Eligible Service* form within the time frames required under the law. See the *USERRA — Military Service After Enrollment* Fact Sheet.

Upon receipt of your *MBOS Purchase Application* — and any required supporting documentation — a quo-

tation of cost will be calculated provided that all purchase eligibility criteria are met. Processing times vary and a purchase request cannot be completed until the NJDPB receives all required verification of eligibility.

After the NJDPB verifies employment, you will receive a *Purchase Cost 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 NJDPB 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 at the assumed rate of return of the retirement system;
- With a direct rollover or trustee-to-trustee transfer of tax-deferred funds from a qualified retirement plan (see the “Rollover for Purchase Payment” section); or
- By paying a single down payment and having the remainder paid through payroll deductions.

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 the “Unsatisfied Balances” section.

A member who authorizes a purchase of service credit through payroll deductions may cancel those deduc-

tions 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 in the NJDPB..

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 for 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.

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 (SEP) Plan;
  - Conduit IRA; and
  - Rollover IRA.

**Note:** The NJDPB 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 NJDPB's determination of your eligibility to purchase service.

# Loans

## OVERVIEW

If you are an active contributing member of the SPRS, you may be eligible to borrow from your account twice per calendar year. You may borrow up to one-half of your posted pension contributions or a maximum loan balance of \$50,000, whichever is less.

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 February 1, 2015, you would not have three years posted to your account until May of 2018, when we update the quarter in which you will attain three years.
- **Number of Loans Per Year** — You may borrow twice in any calendar year. This is determined by the date of the disbursement, not the date of the request. For example, if you make a request for a loan on December 24th, but the disbursement date is 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 50 percent 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 — and see different loan amount and repayment combinations — by using the online *Loan Application* on MBOS.

- **Electronic Fund Transmittal (EFT/Direct Deposit) is Required** — All loans are disbursed by Electronic Fund Transmittal (EFT). You must have a valid bank routing number and account number when submitting a Loan Application through MBOS. Paper loan checks are no longer produced under any circumstance.

- **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 NJDPB website.

When you borrow, you will have the same interest rate for the life of your loan unless you borrow again in a different calendar year when the interest rate is different. 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 of the previous year plus 2.5 percent.

- **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 NJDPB website.
- **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 (see the "Member Contribution Rate" section). The maximum allowable deduction at the time of application toward the repayment of your loan is 25 percent of your base salary.

Provided that the minimum loan repayment amount will repay the loan balance within five years, the re-

payment 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.

If you have an outstanding loan balance and take another loan, the Internal Revenue Service (IRS) requires that 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 rejected if the payroll deductions required to repay the loan would exceed the 25 percent of salary restriction in State law. See the "Internal Revenue Service Requirements" section.

If you are not satisfied with your loan amount or the repayment schedule after your loan is disbursed, you can request a repayment figure for the loan balance, plus any accrued interest prior to the end of the regular repayment schedule.

## APPLYING FOR A LOAN

All pension loan requests must be submitted using the *Loan Application* available through MBOS, and you must provide a valid bank routing number and account number. Once you apply, you receive immediate confirmation that your loan application has been received. Once the loan application is submitted, a pension loan cannot be canceled.



### **Exceptions to the MBOS Loan Application**

While most members are required to process loan requests through MBOS, some members may not be able to access the *Loan Application* for one of the following reasons:

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

In these cases your employer must complete a *Certified Loan Request* 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* to verify your salary and 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 NJDPB Identity Theft Coordinator to request a loan (for more information see the *Identity Theft and Your Benefits* Fact Sheet).

### **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.

You may request a lump-sum payoff by calling the NJDPB Office of Client Services at (609) 292-7524. You may request a lump-sum payoff through your MBOS account by using the *Letters and Statements* application and selecting the "Loan Payoff" option. 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**

If you retire before repaying the outstanding balance of your loan, your loan payments will be carried into retirement. The monthly loan payment will be calculated to have the loan plus interest satisfied by your five-year end 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 the "Internal Revenue Service Requirements" section.

### **INTERNAL REVENUE SERVICE (IRS) REQUIREMENTS**

IRC Section 72(p) requires that loan balances cannot exceed \$50,000 and must be repaid within five years. If you take any subsequent 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 limit the amount that you can borrow if the payroll deductions to repay the loan exceeds the 25

percent 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 personal billing. It is the member's responsibility to ensure that the loan balance, plus interest, is paid in full.

Failure to repay the loan as scheduled, either through 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 deemed distribution and will be reported to the IRS as taxable income. For the tax year in which the default occurs, the NJDPB will send you a *Form 1099-R* for tax filing purposes. You will be required to include the portion of the loan representing before-tax contributions as income on your federal return. In addition, if you are under age 59 1/2, you will be required to pay an additional 10 percent 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 NJDPB.

**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 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 in full. 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 will be posted to your account as previously taxed 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.

# Supplementing Your Pension

## OVERVIEW

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 (NJSEDCP)**

You may be eligible for the NJSEDCP (IRC Section 457), also known as Deferred Comp. 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 NJSEDCP website at: <https://newjersey.retirepru.com/> or call 1-866-NJSEDCP (1-866-657-3327). Other information about the plan is available by writing to: New Jersey Division of Pensions & Benefits, New Jersey State Employees Deferred Compensation Plan, P.O. Box 295, Trenton, NJ 08625-0295.

### **Supplemental Annuity Collective Trust (SACT)**

The 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 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.

SACT brochures and enrollment packets are available on the NJDPB website.

You can also contact the SACT office by calling (609) 292-7524 or by writing to: New Jersey Division of

Pensions & Benefits, Supplemental Annuity Collective Trust, P.O. Box 295, Trenton, NJ 08625-0295.

### **Defined Contribution Retirement Program (DCRP)**

The DCRP was expanded to include the SPRS under the provisions of N.J.S.A. 53:5A-3. 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 Tier 2 SPRS members who earn salary in excess of established maximum compensation limits, see the *Defined Contribution Retirement Program (DCRP) for PERS, TPAF, PFRS, and SPRS Members* Fact Sheet.

The DCRP is administered for the NJDPB by Empower. Empower provides DCRP information, including investment and distribution options, on its New Jersey Defined Contribution Program website.

Employers and members can contact Empower via their toll-free telephone number: 1-866-653-2771.

In certain circumstances, an eligible employee can voluntarily waive participation in the DCRP by submitting a *DCRP Waiver of Retirement Program Participation* form to the NJDPB.

Additional information about DCRP enrollment, contribution rates, plan benefits, and waivers can be found in the *Defined Contribution Retirement Program (DCRP) for PERS, TPAF, PFRS, and SPRS Members* Fact Sheet, which is available on the NJDPB website.

# Retirements

## OVERVIEW

### Mandatory Retirement

Retirement from the State Police is mandatory upon reaching age 55. If you do not file an application for retirement before your mandatory retirement date, you will be automatically retired by the Board of Trustees on a Service Retirement, effective the first day of the month immediately following your 55th birthday. Even though the Board of Trustees has retired you, you cannot begin receiving benefits until you have filed a retirement application with the NJDPB through MBOS.

### Retirement Calculation Definitions

**Years of Service** — means the years and months of membership service you have credited to your SPRS account.

**Final Compensation** — for an SPRS Tier 1 member, Final Compensation means the salary upon which pension contributions were based in the last 12 months of creditable service preceding retirement.

For an SPRS Tier 2 member, Final Compensation means the average salary upon which pension contributions were based for the last three years of service or any three fiscal years of membership preceding retirement that provides the largest possible benefit.

**Service Under other Retirement Systems** — Only service rendered as a member of the SPRS, or credited as equivalent to SPRS service, may be used to satisfy the minimum creditable service requirements of the retirement types described below. This includes the creditable service of members appointed to the Division of State Police under N.J.S.A. 53:5A-5(c-d). Under P.L. 2019, c. 251, N.J.A.C. 17:5-4.2, and N.J.A.C. 17:5-6.1, service purchased or transferred from another New Jersey State-administered retirement system will be considered equivalent to SPRS service, upon payment

of any required rate differential between the former pension system and the SPRS, for members who retire effective November 1, 2019, or thereafter.

## TYPES OF RETIREMENT

There are several types of retirement for which you may qualify.

### Service Retirement

This type of retirement is available at any age when you complete 20 years of creditable SPRS service. The amount of your annual retirement allowance is equal to 50 percent of your Final Compensation.

### Special Retirement

This type of retirement is available at any age to members who have 25 years or more of SPRS service credit. The amount of your annual retirement allowance is equal to 65 percent of your Final Compensation plus one percent for each year of creditable service over 25 years, up to a maximum allowance of 70 percent of your Final Compensation.

### Deferred Retirement

This type of retirement is available to SPRS members with at least 10\* years of service credit and are not yet 55 years of age when they terminate employment. The annual retirement allowance is two percent of Final Compensation for each year of service up to 25 years.

The effective date of a Deferred Retirement is the first of the month after you attain age 55. You must file an application for retirement to receive a Deferred Retirement when you terminate covered employment or any time prior to attaining your Deferred Retirement age. If you are terminated for cause, you may not be eligible to receive Deferred Retirement benefits. The SPRS Board of Trustees will make that determination at the

time you file your application.

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. However, once you cancel your Deferred Retirement and withdraw your contributions, all the rights and privileges of membership in the retirement system end.

The IRS will impose a 50 percent excise tax on accounts of members who terminate employment but do not retire or withdraw contributions by April 1 following the calendar year in which they turn age 70 1/2 (if born before July 1, 1949) or age 72 (if born on or after July 1, 1949).

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 group life insurance coverage is not in effect between the time you terminate employment and when your Deferred Retirement becomes effective. If you die before your Deferred Retirement becomes effective, the beneficiary on your retirement application will receive a return of your contributions, unless a subsequent *Designation of Beneficiary* form is filed. There is no other death benefit under these circumstances. For information about converting your group life insurance to an individual policy at termination, see the *Conversion of Group Life Insurance* Fact Sheet, which is available on the NJDPB website.
- **Health Benefits** — You will not be able to continue coverage under the SHBP retired group if you apply for Deferred Retirement. However, you are entitled to continue coverage in the SHBP employee group for up to 18 months after termination of employment in accordance with the Consolidat-

\* Vesting provisions may not apply to SPRS members who are terminated for cause on charges of misconduct or delinquency. See the "Misconduct" section.

ed Omnibus Budget Reconciliation Act of 1985 (COBRA) laws. If your retirement allowance becomes due and payable during the 18 months of extended COBRA coverage, you will qualify for coverage in the SHBP retired group. In this case, you must contact the NJDPB and request a health benefits offering letter within 60 days of your eligibility for the SHBP retired group coverage.

- **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 the “Internal Revenue Service (IRS) Requirements” section 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 for 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. See the “Applying to Purchase Service Credit” section for more information.

### Ordinary Disability Retirement

The processing of Ordinary Disability Retirement normally takes three to five months. To qualify for Ordinary Disability Retirement you must:

- Be a member in service at the time the application is filed with the NJDPB. Member in service means that the member or employer was making pension contributions to the retirement system at the time of filing a *Retirement Application*. 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 under age 55 and have four or more years of service credit as a State Trooper;
- 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 NJDPB may require you to be examined by physicians selected by the retirement system. The examination will be scheduled at no cost to you by the NJDPB. All medical information is confidential and only for use by the SPRS Board of Trustees in evaluating your application.

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

The application process begins by filing a *Retirement Application* with the NJDPB through MBOS.

**Note:** Your employer also has the right to apply for an Ordinary Disability Retirement on your behalf — either with your consent or on an involuntary basis. See the “Involuntary Disability Retirement” section.

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 NJDPB.

Once the Board of Trustees approves a member for a Disability Retirement, 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 email to: [dwc@dol.nj.gov](mailto:dwc@dol.nj.gov)

### Accidental Disability Retirement

The processing of Accidental Disability Retirement benefits normally takes six to eight months. To qualify for Accidental Disability Retirement benefits you must:

- Be a member in service at the time the application is filed with the NJDPB (see “Ordinary Disability Retirement” for definition of “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), that happened during and as a direct result of carrying out your regular or

assigned job duties;

- Be an active member of the SPRS on the date of the traumatic event;
- File an *Application for Disability Retirement* through MBOS within five years of the date of the traumatic event;
- Submit all accident reports, witness reports, and corroborating evidence on file for all accidents for which you are filing within six months;
- Be examined by physicians selected by the retirement system. The examination will be scheduled at no cost to you by the NJDPB. All medical information is kept confidential and used only by the SPRS Board of Trustees in reviewing your claim; and
- Be disabled at the time you separated from service as a result of a disability that renders you totally disabled.

“Direct Result of a Traumatic Event” has been defined by the courts as an occurrence that:

- Is identifiable as to time and place;
- Is undesigned and unexpected;
- Is caused by a circumstance external to the member (not the result of pre-existing 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 per-

son 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.”

You may only file for one type of Disability Retirement, either Accidental or Ordinary Disability. The application process begins by filing a *Retirement Application* with the NJDPB through MBOS. 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.

**Note:** Your employer has the right to apply for an Involuntary Accidental Disability Retirement on your behalf. See the “Involuntary Disability Retirement” section.

If you are approved for Accidental Disability Retirement, your annual retirement allowance will be two-thirds of your Final Compensation.

It is the applicant’s responsibility to arrange for all physicians’ statements and hospital records to be sent to the NJDPB.

Once the Board of Trustees approves a member for a Disability Retirement, 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 approved for an Ordinary Disability Retirement if you have at least four years of SPRS service.

#### **Accidental Disability for World Trade Center Responders**

P.L. 2019, c. 157 (Chapter 157), the Bill Ricci World Trade Center Rescue, Recovery, and Cleanup Operations Act, permits current SPRS members to file for an Accidental Disability Retirement benefit if the member is or is to become totally and permanently disabled due to participation in the rescue, recovery, or cleanup operations at the World Trade Center.

For more information, please refer to the *Accidental Disability Retirement Under Chapter 157* Fact Sheet.

#### **Involuntary Disability Retirement**

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

- If you are required to retire upon application by the employer and have at least four years of service as a State Trooper, but less than 20 years, you will receive an Ordinary Disability retirement allowance of 40 percent of Final Compensation or 1.5 percent of Final Compensation for each year of SPRS service, whichever is higher.
- If you are required to retire upon application by the employer and have 20 or more years of SPRS service, you will receive an allowance equal to 50 percent of Final Compensation plus an additional three percent of Final Compensation for every year of SPRS service over 20 up to a maximum of 25 years.



- If you meet the qualifications for an Accidental Disability Retirement and are required to retire upon application by the employer, you will receive an Accidental Disability Retirement allowance of two-thirds of your Final Compensation.

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

### 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 NJDPB 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.

#### 4-6 Months Before Retirement

**Retirement Applications** — It is your responsibility to file a retirement application with the NJDPB.

All retirement applications must be submitted online using MBOS. MBOS provides fast, efficient processing of your retirement application.

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 NJDPB.

- Direct deposit, also known as Electronic Funds Transfer (EFT), of your retirement check to a bank account is mandatory (except for foreign mailing

addresses). You must provide your direct deposit information at the time you apply for retirement, or your retirement application will not be processed. You should make sure that you have your account type (checking or savings), bank routing number, and bank account number readily available to submit with your retirement application. You can make changes to an existing direct deposit any time after retirement; please allow approximately 60 days for changes to take effect.

- If you have not furnished proof of your age to the NJDPB, you must do so when applying for retirement (see the “Proof of Age” section). 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 the last four digits of your Social Security number on all documentation that you submit. Your retirement application will not be processed until the NJDPB receives copies of birth date evidence.
- Ask your employer to submit a *Certification of Service and Final Salary* to the NJDPB. Your employer will also receive an email from the NJDPB requesting this certification.
- It is the applicant’s responsibility to ensure that all required forms — except for the employer certification — are submitted to the NJDPB within 90 days of the NJDPB’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 received by the NJDPB, you will receive email confirmation of its receipt. You will also be sent a letter acknowledging receipt of your retirement application.

**Life Insurance** — The amount of your life insurance coverage through the SPRS 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 NJDPB. However, you cannot file to convert your life insurance any earlier than six months prior to your retirement date.

See the “Conversion of Group Life Insurance” section and the *Conversion of Group Life Insurance* Fact Sheet for details.

**Other Retirement Plans** — If you participate in the following retirement savings plans, you must inform them separately of your retirement:

- Contact the NJSEDCP at 1-866-NJSEDCP.
- Contact the SACT at (609) 292-7524.
- Contact the DCRP at 1-866-653-2771.

#### Approximately 3 Months Before Retirement

**Health Benefits Coverage at Retirement** — To see if you qualify for retired coverage under the SHBP, see the *Summary Program Description* and the *Health Benefits Coverage — Enrolling as a Retiree* Fact Sheet. If you do not qualify for retired SHBP coverage, 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 SPRS Board of Trustees for approval.

- You will receive a letter from the Board of Trustees. 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. 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 the “After Your Retirement Date” section). The request to cancel your retirement or change your retirement date must be made via MBOS. However, if your retirement has been board approved and/or you have been assigned a retirement number, MBOS will not be able to process your request to cancel or change your retirement date. In these cases, you should immediately contact the NJDPB in writing or by email at: [pensions.nj@treas.nj.gov](mailto:pensions.nj@treas.nj.gov)

**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 along 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.

**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
- Repay the loan deductions from your retirement allowance until the balance of the loan plus interest is repaid. The monthly loan payment will be calculated to have the loan plus interest satisfied by your five-year end date.

**Purchase Arrears** — When you apply for a purchase of service credit, the NJDPB 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.

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. Contact the NJDPB as soon as possible to advise whether or not you wish to pay off the arrears balance in full.

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 NJDPB 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. Contact the NJDPB as soon as possible if your *Quotation of Retirement Benefits* indicates an arrears balance or shortage.

**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 SPRS Board of Trustees, whichever is later.

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

**Note:** If you return to an SPRS-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 SPRS. See the *Employment After Retirement Restrictions* Fact Sheet.

**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 and are 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.

**Note:** An SPRS retirement allowance will not be paid if the calculated benefit is less than \$25 per month.

**Change of Address** — It is important that you inform the NJDPB of a change of address by using the Retiree *Change of Address* function in MBOS. SHBP/SEHBP members who do not receive a monthly pension check cannot use the MBOS *Change of Address* function and should log into Benefitsolver to make address updates.

**Withholding Federal and N.J. State Income Tax** — The NJDPB 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 Single with no adjustments regardless of your actual marital status or number of dependents. The NJDPB is obligated to withhold federal income tax at this status unless you submit a change to your federal withholding through your MBOS account using the “Income Tax Withholding” button after you receive your first retirement check. Refer to IRS *Form W-4P* for instructions regarding federal tax withholding.

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.

Retirees can increase or decrease existing withholding amounts by using the federal and New Jersey *W-4P* applications available to retirees on MBOS. Please note that IRS *Form W-4R* should be used for non-periodic payments and eligible rollover distributions. This form can be found on the IRS website at [www.irs.gov](http://www.irs.gov)

The NJDPB cannot provide tax advice. Questions about your federal income tax should be directed to your tax preparer or the IRS 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 NJDPB issues each retiree an annual *Form 1099-R* reflecting the taxable retirement allowance paid during the preceding tax year. If you are a non-resident alien or foreign estate, you will receive a *Form 1042-S Foreign Person's U.S. Source Income Subject to Withholding*.

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 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 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 NJDPB 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 visit their website at <http://www.nj.gov/treasury/taxation> 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** — 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.

Prior to the suspension of COLA, the Pension Adjustment Program provided an annual Cost-of-Living Adjustment to eligible retirees and their survivors who received a monthly retirement allowance from the SPRS.

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 verify current allowance and deduction information at any time using MBOS.

## 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 SPRS and are required to reenroll (see the *Employment after Retirement Restrictions* Fact Sheet).
- You return to employment with your former employer within 180 days (even in a voluntary capacity).
- You have 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.
- 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 SPRS must be repaid.

Your pension is normally exempt from any liens against it. Exceptions are tax liens imposed by the IRS 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 NJDPB is provided with copies of all court orders in order to comply with them.

## Divorce or Dissolution of a Civil Union/Domestic Partnership

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

Matrimonial/partnership dissolution orders regarding your withdrawal from the retirement system will take effect if you voluntarily apply to withdraw your SPRS account. See the "Withdrawal From The Retirement System" section.

Matrimonial/partnership 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 NJDPB 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.

## Misconduct

The receipt of retirement benefits is expressly conditioned upon the rendering of honorable service by a public officer or employee. In accordance with N.J.S.A. 43:1-3.1., 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. See the *Honorable Service* Fact Sheet for further information.

## EMPLOYMENT AFTER RETIREMENT

For most SPRS retirees, working for a private industry, the federal government, or a government agency in another state will not affect your retirement benefits. For SPRS 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 the *Employment After Retirement Restrictions* Fact Sheet.

# Active and Retired Death Benefits

## OVERVIEW

Upon the death of an active or retired SPRS 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

### Payment of Pension to a Family Member

Upon the death of an employed or retired member, the spouse, civil union partner, 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 explained 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. For an exception, see the “Accidental Death Benefits” section. Documentation required for verification includes a copy of your government issued marriage certificate (if the marriage certificate is in a language other than English, an English translation must also be submitted), and a copy of your most recent tax return (Form 1040). A copy of the tax return is not required if the marriage occurs within 12 months of the date the member passed. Only the first page of the tax return is required and must include the spouse's name (financial data and all but the last four digits of Social Security numbers should be redacted to protect privacy). The tax return must show a “Married” filing status. If the subscriber and dependent spouse reside at separate addresses, both the subscriber's and the spouse's most recent tax return must be submitted. (If the subscriber or spouse submits a “Head of Household” filing status on their return, the other individual's return must have a “Married filing separately” filing status. Tax returns with a “Single” filing status will not be accepted.)

**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). Documentation required for verification includes a copy of the New Jersey certificate of civil union dated prior to October 2013, or a valid certification from another State or foreign jurisdiction that recognizes same-sex civil union partners and a copy of the first page of both partners' N.J. tax return from the previous year that includes the partner (financial data and all but the last four digits of Social Security numbers should be redacted to protect privacy). See the *Civil Unions and Domestic Partnerships* Fact Sheet for details.

**Domestic Partner** — A person of the same sex as defined by N.J.S.A. 26: 8A-3, with whom you were partnered into 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). Documentation required for verification includes a copy of the New Jersey certificate of domestic partnership dated prior to February 19, 2007, or a valid certification from another State or foreign jurisdiction that recognizes same-sex domestic partners and a copy of the first page of both partners' N.J. tax return from the previous year that includes the partner (financial data and all but the last four digits of Social Security numbers should be redacted to protect privacy). See the *Civil Unions and Domestic Partnerships* Fact Sheet for details.

**Child** — Your unmarried child:

- Under the age of 18;
- 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.

- For an Accidental Death Benefit, 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.

**Final Compensation** — for an SPRS Tier 1 member enrolled on or before May 21, 2010, Final Compensation means the salary on which pension contributions were based in the 12 months immediately preceding your death or retirement.

For an SPRS Tier 2 member, Final Compensation means the average salary upon which pension contributions were based for the last three years of service or any three fiscal years of membership preceding your death or retirement that provides the largest possible benefit.

For all SPRS members, Final Compensation includes the value of the maintenance allowance for the same period.

### Active Members

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

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

- 50 percent of final compensation to one eligible child; or

- 50 percent of final compensation to two or more eligible children, payable in equal shares.

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

- 40 percent of Final Compensation to two parents; or
- 25 percent 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**

Upon your death as a retiree your surviving spouse/partner is eligible to receive a pension benefit equal to 50 percent of your Final Compensation. See the "Payment of Pension to a Family Member" section for the definition of Final Compensation.

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

- 50 percent of Final Compensation to three or more eligible children;
- 35 percent of Final Compensation to two eligible children; or
- 20 percent 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 same-sex domestic partner is paid an annual pension of 70 percent of your Final Compensation (or, if appropriate, Adjusted Final Compensation in accordance with N.J.S.A. 53:5A-14). This benefit is a lifetime benefit to your surviving spouse or partner. See "Payment of Pension to a Family Member" section for the definition of Final Compensation.

If there is no eligible surviving spouse/partner, or if the surviving spouse/partner dies, a pension is paid to your eligible children in equal shares in the amount of 70 percent of your Final Compensation (or Adjusted Final Compensation, if appropriate).

If there is no eligible surviving spouse/partner or children, a pension will be paid to your eligible dependent parents in these amounts:

- 40 percent of Final Compensation to two eligible parents; or
- 25 percent of Final 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 a policy issued by the insurance carrier (Prudential Financial).

The group policy number for the SPRS is G-14800.

#### **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 3 1/2 times your Final Compensation. If you die during the first year of creditable service, the benefit is 3 1/2 times your creditable base salary upon which pension contributions were received.

#### **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 50 percent of your Final Compensation. However, if you retired on a Disability Retirement, the amount is equal to 3 1/2 times your Final Compensation until age 55 when it is reduced to 50 percent of Final Compensation.

Group life insurance for retired members of the SPRS 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 SPRS, the new member's estate is the group life insurance beneficiary on record until the NJDPB receives a new *Designation of Beneficiary*.

**Note:** Active and retired members must complete the *Designation of Beneficiary* online using MBOS.

When you submit the *Designation of Beneficiary*, you name beneficiaries for your group life insurance benefits and 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 *Designation of Beneficiary*.

You will be 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 NJDPB supersedes any older designation of beneficiary on file. The designation is effective upon acceptance by the NJDPB, 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 *Designation of Beneficiary* via MBOS.

If you have additional questions regarding designations, please see the *Beneficiary Designation* Fact Sheet.

For your protection, beneficiary designations cannot be accepted or confirmed over the telephone or by email. Members can verify beneficiary designation on MBOS. Otherwise, the NJDPB will only accept a written request from the member to verify your beneficiary designation on file.

**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.

## 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(ies).
- **Annuity Certain** — Equal installments over a selected period of years.
- **Life Annuity** — Paid monthly to your beneficiary(ies) for life.

Death benefits cannot be paid until all the necessary information and claim forms have been received from your beneficiary by the NJDPB.

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

The IRS 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.

To determine the taxable amount, if any, subtract \$50,000 from the 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 the "IRS Premium Rate" 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:** An *SPRS* member is age 52 and has non-contributory 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), which equals \$160,000 (\$210,000-\$50,000).



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 Rate* (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 older	\$24.72
*These rates are subject to change by the IRS.	

### WAIVING NONCONTRIBUTORY GROUP LIFE INSURANCE OVER \$50,000

SPRS members are permitted to waive their Noncontributory 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 Noncontributory Group Life Insurance must waive the total amount of noncontributory coverage in excess of \$50,000.

In the previous example, the member's noncontributory life insurance 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 noncontributory 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 NJDPB. The form is available from the NJDPB or your employer. The waiver form must be received by the NJDPB 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 another waiver form opting to reinstate coverage to the NJDPB. 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 coverage over \$50,000.

Before completing the waiver, you should completely understand the ramifications of waiving your noncontributory life insurance. For more information, refer to IRS 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. See the *Conversion of Group Life Insurance* Fact Sheet for details.

# Withdrawal

## OVERVIEW

### When Membership Ends

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

- You die;
- You end your employment and withdraw your contributions from the SPRS; or
- You have not been contributing to the retirement system for two consecutive years.
  - If you have less than 10 years of SPRS service credit, two consecutive years is the limit for inactive membership before an SPRS account expires.
  - If you have 10 years or more of SPRS service credit, your SPRS account is vested. However, two consecutive years remains the limit for inactive membership. If you return to SPRS-covered employment after two or more years without a payroll contribution, you will be re-enrolled in a new SPRS account under the membership tier in effect at the time that you return.

### Terminating Employment

If you terminate employment before you are eligible to retire, your options regarding your SPRS account vary depending on your vesting status at the time of your termination. See the “Vesting” section.

If you are vested when you terminate employment, you can apply for a Deferred Retirement, with payments to begin at age 55. See the “Deferred Retirement” section. 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 in your SPRS account 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.

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 SPRS-covered employment, you may then be eligible to purchase the service to have it credited to your new account. See the “Purchasing Service Credit” section.

### Expired Accounts

If your membership has been inactive for 18 consecutive months, you are not vested, and you have not filed for a withdrawal of contributions, the NJDPB 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. The *Expiration Notice* is a reminder that your money is still being held in the retirement system. When notified, you should submit an *Application for Withdrawal* to obtain your contributions in the retirement system.

If two consecutive years have passed and the NJDPB has been unable to contact you — or you do not reply to the *Expiration Notice* by submitting an *Application for*

*Withdrawal* — your account will expire.

Should you return to covered employment before the two-year period ends, you have the option of an Interfund Transfer if you otherwise qualify. See the “Transfers” section.

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

- You are granted an official leave of absence (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 by lay-off or abolishment of position. 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. It gives you no other right to benefits. Therefore, you cannot qualify for a retirement benefit unless you return to SPRS 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 balance 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 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 Account (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 percent income tax withholding. If you reside in the United States and wish to withhold more than the default 20 percent federal income tax on the taxable portion of your payment, you must complete a Federal *Form W-4R*. In addition, if you receive payment before you reach age 59 1/2 and you do not roll over the taxable amount, you may have to pay an extra tax equal to 10 percent of the taxable portion of any payment. If you have any questions concerning this federal law, call the IRS at 1-800-829-1040.

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 benefits. At the time you apply for withdrawal, the NJDPB 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 age 70 1/2 (if born before July 1, 1949) or age 72 (if born on or after July 1, 1949).

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 SPRS 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 started receiving Workers' Compensation benefits, even if the total compensation you receive is less than 100 percent 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 these 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;
- 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 the *Workers' Compensation Fact Sheet*.

# Appeals

**OVERVIEW**

If you wish to appeal any administrative decision of the NJDPB, address your appeal to:

**Secretary to the Board of Trustees  
State Police Retirement System  
New Jersey Division of Pensions & Benefits  
P.O. Box 295  
Trenton, NJ 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 will address your appeal and issue a written determination.

If you disagree with the determination of the Board, 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 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, 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 will 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 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.