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**State of New Jersey
Police and
Firemen's
Retirement
System**



June 2000

**Department of the Treasury
Division of Pensions and Benefits**

FOREWARD

The New Jersey Police and Firemen's Retirement System Member Handbook has been revised to incorporate the changes to the retirement system made since the last version was published in 1996 and updated in 1998. The Member Handbook provides a summary description of the benefits of the plan and outlines the rules and regulations governing the plan. The Member Handbook should provide you with all the information you need about your Police and Firemen's Retirement System (PFRS) benefits. It is as accurate as we could make it; however, if there is a conflict with statutes governing the plan or regulations implementing the statutes, the statutes and regulations will take precedence. If you are unsure of any aspect of your PFRS benefits, you should ask your employer representative or direct your questions to a counselor at the Division of Pensions and Benefits.

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

Division of Pensions and Benefits
ATTN: Publications and Benefits Education
P.O. Box 295
Trenton, NJ 08625-0295

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NOTES

POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS)

as of June 2000

The purpose of this booklet is to provide you with information about the retirement system and to assist you in making decisions concerning your future and your family's future. If, after reviewing the information in this handbook, you have further questions concerning the retirement system, please see "Contacting the Division of Pensions and Benefits" on page 24.

A current, updated version of this booklet can be found on the Internet at: www.state.nj.us/treasury/pensions/pfrsman.htm Be sure to check in on the Division of Pensions and Benefits homepage www.state.nj.us/treasury/pensions to learn of any new developments affecting the Police and Firemen's Retirement System (PFRS).

THE RETIREMENT SYSTEM

The Police and Firemen's Retirement System (PFRS) was established in 1944. The Division of Pensions and Benefits manages all administrative functions of the retirement system.

The PFRS Board of Trustees has the responsibility for the retirement system. The Board consists of two elected police representatives, two elected fire representatives, one elected retired member representative, the State Treasurer, and five individuals appointed by the Governor with the advice and consent of the Senate. The Board meets once a month. A member who wishes to be a candidate for the PFRS Board of Trustees must be a member of the PFRS and must be nominated by petitions bearing the signature of 500 active members in the case of a police trustee, 300 active members in the case of a fire service trustee, and 100 retired members in the case of a retired member. Nominating petition forms, together with instructions for filing, are available upon written request to the Secretary of the PFRS Board of Trustees, Division of Pensions and Benefits, PO BOX 295, Trenton, New Jersey 08625-0295.

MEMBERSHIP

Eligibility Criteria

Eligibility in the PFRS is determined by your job title, your age, and your health. Over the years, these criteria for membership have been subject to change and reinterpretation. Municipal employees in eligible job titles who do not meet the age and medical requirements for membership in the PFRS are ineligible for enrollment in the PFRS or any other state retire-

ment system. State and county employees in eligible PFRS titles, who do not meet the age and medical requirements, are eligible to enroll in the Public Employees' Retirement System (PERS) and possibly, depending on job title, as Law Enforcement Officers (LEOs) in the PERS.

Enrollment in the PFRS is required for permanent, full-time employees appointed to positions in law enforcement or fire fighting in the State of New Jersey. The date of enrollment for the PFRS is the date of permanent appointment to the position, even if the enrollee has yet to complete law enforcement or fire fighter training. Enrollment usually takes about two months to process and requires the submission of an Enrollment Application and a Report of Examining Physician.

Job Requirements

A new employee hired as a permanent, full-time law enforcement officer or firefighter in an eligible PFRS job title or classification who meets the age and medical criteria for membership must be enrolled in the PFRS.

Because the list of the PFRS eligible titles changes periodically, an updated listing of civil service PFRS titles is available at: www.state.nj.us/treasury/pensions/pfrshbk.htm on the Division of Pensions and Benefits' Internet homepage. Non-civil service titles are not listed since they are not applicable to any other employer than the one for which they were approved.

In the event an employee, not currently included as a member of the system, believes that he or she performs duties that meet the definition of "policeman" or "fireman," the employee may file an application for membership in the system with the Director of the Division of Pensions and Benefits, stating in detail, the basis for the employee's belief that the employee is a policeman or fireman. The Division will review the application and determine whether the employee meets the definition of "policeman" or "fireman," and then make a recommendation to the Board of Trustees as to whether the employee should be included in the system.

If, after considering the recommendation of the Division, the Board determines that the employee meets the definition of "policeman" or "fireman" the Board will publish a notice in the New Jersey Register proposing to include the employee's position in the retirement system. Interested parties will be given 30 days to comment on the proposal.

If the Board determines that the employee does not meet the definition of "policeman" or "fireman," the employee will be offered an opportunity for a hearing.

Medical Criteria

There are medical requirements for acceptance in the PFRS. When you apply for membership, you must have a medical examination to determine if you satisfy these requirements. The examination, documented on the authorized PFRS form, may be given by the department physician, another physician designated by the employer, or if required, a physician designated by the retirement system.

Age Requirements

Current law prescribes a maximum age for entry into the PFRS. Employees must be eligible on or before their 35th birthday to qualify for enrollment.

Determining the age for entry in the PFRS may vary between Civil Service and non-Civil Service jurisdictions. All employees covered by:

- **Civil Service (Title 11)** — whether State, county, or municipal — candidates cannot be past their 35th birthday as of the announced closing date of the Civil Service examination. Those candidates meeting the age requirements at that time will be considered as having met the maximum age requirement for the duration of the ensuing Civil Service Eligibility List from which appointments may be made.
- **Non-Civil Service** — primarily, municipal — employees cannot be past their 35th birthday as of their official date of hire.

There are certain exceptions to the maximum age requirement:

- **Military Service** — Once you have met the definition of a veteran for pension purposes, certain periods of military service may be used on a one-for-one basis to “reduce” one’s age for entry. Such military service must have occurred during the:
 - Lebanon Conflict, September 26, 1982 to December 1, 1987
 - Grenada Conflict, October 23, 1983 to November 21, 1983
 - Panama Peacekeeping Mission, December 20, 1989 to January 31, 1990
 - Operation Desert Shield/Storm, August 2, 1990 to the present

The prospective member must have served in the Armed Forces in the country/region or on ships patrolling the territorial waters of these nations for at least 14 days. If the start of the member’s service began on or after the beginning date of the conflict, consideration will be granted as long as any part of the 14 days service falls on or within the dates listed above. If the start of the member’s service was prior to the be-

ginning date of the war era, then the member must have served 14 days in the area within the dates specified for the conflict in order to be considered a veteran. Only that period of service in the area of conflict may be subtracted from an individual’s age for eligibility purposes.

The 14-day requirement for service can be waived if the veteran was discharged because of a service-incurred disability. Absent Without Leave (AWOL) status must be deducted from active service and if this reduces the active service to less than the 14-day service requirement, consideration will be denied.

- **Prior Police Service** — In order to meet the maximum age requirement of 35 years for the position of a municipal police officer — a former State trooper, sheriff’s officer or deputy, county or municipal police officer, Septa, Delaware River Port Authority, Burlington County Bridge Commission or Amtrak police officer is permitted to use that previous service to reduce actual age. Prior experience in federal law enforcement agencies or law enforcement agencies of other states would also qualify to reduce a candidate’s age for the position of municipal police officer. No person may be appointed over the age of 45 except for those who were previously terminated involuntarily (laid-off, or part of a Reduction-In-Force) from their former employment.

Volunteer Firefighters

While volunteer firefighters may be appointed to paid positions, within part-paid fire departments up to age 40 (N.J.S.A. 40A:14-44), any such firefighter over age 35 is eligible for enrollment in the Public Employees’ Retirement System (PERS), but not the PFRS.

Candidates Who Exceed the Age Limit

Individuals employed by the state or county who exceed the maximum age requirement in the PFRS, but who are otherwise eligible for the position, must establish membership in the PERS one year after being provisionally employed in the title or immediately upon being permanently appointed to the title.

Individuals seeking employment with a municipality in an eligible PFRS title, who are over age 35 on the date of hire, even after any “reductions in age” have been taken into account, cannot establish membership in any State-administered retirement system. Since enrollment in the PFRS is a condition of employment, these individuals cannot be hired.

Candidates Awaiting Permanent Appointment

Employees otherwise eligible for enrollment who are temporary or provisional pending an examination, must be enrolled in the PERS one year after being

provisionally employed in the title. After an employee fulfills the enrollment requirements (including age) for the PFRS, the PERS membership may be transferred into the PFRS.

Part-time Employees

Employees who are "part-time" officers should be enrolled into the PERS if they are otherwise eligible for enrollment pursuant to N.J.A.C. 17:2-2.8. They cannot be enrolled in the PFRS.

ENROLLMENT

Enrollment and Certification of Payroll Deductions

Both you and your employer must complete an Enrollment Application for you to enroll in the retirement system. The employer will send the completed application with the results of your medical examination to the Division of Pensions and Benefits for processing. When 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.

It is important to keep the *Certification of Payroll Deductions* on file with your other important papers so that you have a record of your enrollment in the retirement system.

Proof of Age

All members of the PFRS must provide proof of their age. Acceptable evidence of your age includes a copy of:

- your birth certificate;
- a baptismal certificate;
- your passport, naturalization, or immigration papers; or
- certain other records including military records (DD Form 214), census records, age recorded on marriage licenses, and insurance or children's birth records.

You should attach a non-returnable photocopy of your proof of age to your enrollment application. For more information regarding the PFRS age requirements, see page 2.

Contribution Rate

The contribution rate in the PFRS is 8.5 percent of base salary.

Your contribution rate is applied to your base salary to determine your pension deductions. Base salary does not include overtime, bonuses, lump-sum payments for longevity, holiday pay, vacation, compensatory time, or sick leave, or other money you receive

as an adjustment before retirement. Your pension contributions are deducted from your salary each payday and reported to the PFRS by your employer.

Employers may include longevity pay, holiday pay, and educational pay in their members' pensionable salaries only if these kinds of payments are included for all employees from the first day of eligibility for the payments.

Since the PFRS is a "qualified" pension plan under the provisions of the Internal Revenue Code, Section 401(a)(17), the current federal ceiling on pensionable salary (\$170,000 in 2000), applies to base salaries of PFRS members.

Your mandatory pension contributions are federally tax deferred under the 414(h) provisions of the Internal Revenue Code. This reduces your gross wages subject to federal income tax. Purchases of service credit are voluntary pension contributions and are not tax deferred.

TRANSFERS

Intrafund Transfer—*Change employer, same retirement system*

If you terminate your current position covered by the PFRS and accept another position also covered by the PFRS, you may continue your same membership in the PFRS by applying for an intrafund transfer, provided:

- you have not withdrawn your membership or your account has not expired (see "Withdrawal From the Retirement System" on page 21); and
- the new position is covered by the PFRS.

If you meet the above criteria, you are immediately eligible to continue membership in the PFRS with the new employer. Your new employer is responsible for submitting your transfer application to the Division of Pensions and Benefits.

Interfund Transfer—*Change job, different NJ retirement system*

If you terminate your current position covered by the PFRS and take another position covered by a different New Jersey State-administered retirement system, you may apply for an interfund transfer provided:

- you have not withdrawn your membership and your account has not expired;
- you are not a dual member with concurrent service in another retirement system (see definition of "Dual Membership" on page 4);

- you meet the eligibility requirements of the second system; and
- you are not retired from the PFRS.

NOTE: PFRS members who are serving with a municipal police or fire department and receive an appointment to an administrative or supervisory position with the same department or the police or fire department of any other municipality are permitted to continue their PFRS membership in the new administrative or supervisory capacities. To be eligible for this continued PFRS membership, the appointment to the position must occur within six months of your last PFRS contribution.

If you are interested in transferring your membership account, an enrollment application for the new system and an *Application for Inter-Fund Transfer* should be submitted by your employer to the Division of Pensions and Benefits when you meet the eligibility requirements of the new retirement system. If you are vested in the PFRS, you should determine if it is more advantageous to select a Deferred Retirement from the PFRS or transfer your pension contributions and service credit to another retirement fund.

DUAL MEMBERSHIP

You are considered a DUAL member, if you are a member of more than one New Jersey State-administered retirement system at the same time. For example, if you are a county correction officer (and a member of the PFRS) and an adjunct faculty member at a county college (a member of the PERS), you are a dual member. A dual member's contributions and benefits are kept separate. Benefits will be paid separately from each system in the event of retirement, death, or withdrawal. The service credit for one retirement system can never be transferred into another system for a dual member.

SERVICE CREDIT

Since retirement benefits are based in part on accumulated service credit, it is important that you receive the appropriate amount of credit for the amount of time you work.

You receive one month of service credit for each month you make a full pension contribution. For those employers who report service and contributions biweekly, their employees will receive one pay period of service credit for each pay period a full pension contribution is made.

VESTING

Being vested in PFRS means that you are guaranteed the right to receive a retirement benefit when you

reach age 55. You are vested in the PFRS after you have attained 10 years of service credit.

If you terminate employment before retiring, your options vary depending on your vesting status at the time of your termination. If you have not vested before you terminate, you will not be eligible to receive a monthly retirement benefit, unless you are age 53 or older, or eligible for a disability retirement benefit.

When you terminate employment before vesting, you can choose to:

- Make an immediate withdrawal of your contributions; or
- Leave your contributions on deposit with the PFRS 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" on page 21), 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 withdraw your personal contributions, all service credit represented by the refund is cancelled. If you later return to covered employment, you may then purchase the service (see "Purchasing Service Credit" below) to have it credited to your new account.

If you are vested when you terminate employment, you could apply for a Deferred Retirement with payments to begin at age 55 (See "Deferred Retirement" on page 9.)

CREDIT FOR MILITARY SERVICE AFTER ENROLLMENT

The federal Uniformed Services Employment and Reemployment 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. Military service on or after October 13, 1994, is to count for vesting and retirement qualification purposes, as though the employee had not left; however, the member will have to make the pension contributions normally required to have the military service time included in the calculation of the retirement benefit.

PURCHASING SERVICE CREDIT

Since your retirement allowance is based in part on the amount of service credit posted to your account at the time of retirement, it may be beneficial for you

to purchase additional service credit if you are eligible to do so. Only active members of the retirement system, who have made contributions to the retirement system within two years of their purchase request and have not retired or withdrawn their contributions, are permitted to purchase service credit. In no case can you receive more than one year of service credit for any calendar or fiscal year. A Dual member (see "Dual Membership" on page 4) cannot purchase concurrent service. If a type of service is not listed below, it is not eligible for purchase.

TYPES OF SERVICE ELIGIBLE FOR PURCHASE

Temporary Service — Members are eligible to purchase temporary employment provided the service rendered was in a title eligible for participation in the PFRS, was continuous, and immediately preceded a permanent or regular appointment .

- Members are allowed to purchase temporary service rendered under a former account.
- Members are not allowed to purchase service as a Special Police Officer.

Leave of Absence Without Pay — Members are eligible to purchase credit for time spent on official, authorized leaves of absence without pay. Members may purchase up to 2 years of service credit for leave for personal illness, and up to 3 months for leave 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 may be eligible for purchase.

Former Membership Service — Members may purchase all service credited under a previous membership (PERS, TPAF, PFRS) which has been terminated after two consecutive years of inactivity in accordance with statute or by withdrawal by the member of the contributions made under such membership.

Out-of-State Service — Members are eligible to purchase up to 10 years of public employment rendered in any state, county, municipality, school district, or public agency in another state provided the service rendered would have been eligible for membership in a New Jersey administered retirement system. This service 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 are eligible to purchase up to 10 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 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.

Military Service Before Enrollment — Members may purchase up to 10 years of active-duty military service rendered prior to enrollment provided the member is not receiving or eligible to receive a military pension or a pension from any other state or local source for such military service. For military service credit after enrollment, please refer to the previous page.

Uncredited Service — Members may purchase any regular employment with an employer in New Jersey for which the member does not have retirement credit and which would have been previous compulsory membership service.

Employment with Other Agencies — If you have at least 20 years of service credit in the PFRS and you leave to accept a full-time position (with your employer's approval) in one of the agencies listed below, you may purchase a maximum of three years of such service upon your return to covered employment.

- a federal agency;
- an agency of another state or local government; or
- an organization whose principal function is offering professional, advisory, research, educational, or developmental services to governments or universities concerned with police management.

Layoff — Members of the PFRS who were laid off in good standing (i.e., not for cause, misconduct, or delinquency) from employment as police officers and subsequently rehired in the PFRS police service positions may purchase up to three years of service for the time between layoff and rehire.

(NOTE: At the time this handbook was going to press, legislation was under consideration to extend this same provision to fire fighters.)

Local Retirement Service — You may purchase service established under a local retirement system in New Jersey. Purchase is not permitted if you are receiving retirement benefits from that public pension fund.

Limit on Service Outside New Jersey

The law stipulates that the member is eligible to purchase an aggregate of 10 years of the following types

of service: out-of-state Service, Military Service, and U.S. Government Civilian Service. A veteran member, however, may purchase up to 5 additional years of service for time spent on military duty during wartime.

Out-of-state, US Government service, or Military Service before Enrollment cannot be used to qualify for Ordinary Disability Retirement.

COST AND PROCEDURES FOR PURCHASING SERVICE CREDIT

The cost of a purchase is based on your nearest age at the time your request is received by the Division of Pensions and Benefits and the higher of your current annual salary or highest fiscal year salary posted to your account. The cost of the purchase will increase with any increase in your age and/or salary.

You can receive an estimate of the cost of purchasing service credit by calling our automated system at (609) 777-1777. You may obtain a quotation for the cost of purchasing additional service credit by submitting a purchase application to the Division of Pensions and Benefits. This form is available from your employer, by downloading it from our Internet homepage at: www.state.nj.us/treasury/pensions/, by calling our Fax on Demand service at (609) 777-1931 and entering document number 9005, by calling Client Services at (609) 292-7524, or by writing to the Division of Pensions and Benefits.

No quotations of cost will be calculated until the Division receives verification of employment. It is the member's responsibility to obtain certification of employment from the former employer for the purchase of out-of-state or U.S. Government service. The cost of a purchase is based on three factors:

- A purchase factor based on your nearest age (see "Purchase Rate Chart") at the time the Division receives the appropriate documentation;
- The higher of your current annual salary or highest fiscal year salary posted to your membership account; and
- The years and months of service being purchased.

Shared Cost Purchases

For the following types of purchase, the cost is shared equally between you and the PFRS employers:

- Temporary
- Leave of absence without pay
- Former membership
- Out-of-state
- Uncredited

To estimate the cost of a shared cost purchase, multiply the higher of your current annual salary or highest fiscal year salary times the factor corresponding to your nearest age. The result is your cost for one year of service. Multiply this cost by the appropriate number of years being purchased.

Full Cost Purchases

For the following types of purchase, you would pay the full cost of the purchase with no employer contribution:

- US government
- Military service before enrollment
- Employment with other agencies
- Local retirement system

To estimate the cost of a full cost purchase, use the method shown previously for "Shared Cost Purchases" and multiply the cost by two.

To estimate the cost of a purchase, multiply the higher of your current annual salary or highest fiscal year salary times the factor corresponding to your nearest age. The result is your cost for one year of service. Multiply this cost by the appropriate number of years being purchased.

To estimate the cost of a Layoff purchase, multiply the salary in the 12 months prior to the layoff times the purchase factor corresponding to your nearest age. The resulting cost is doubled.

Purchase Rate Chart

COST FACTORS
(for shared cost purchases)

Age at Purchase	Purchase Factor*	Age at Purchase	Purchase Factor*
33 and under	0.075	49	0.116
34	0.076	50	0.120
35	0.077	51	0.121
36	0.079	52	0.122
37	0.081	53	0.122
38	0.083	54	0.123
39	0.085	55	0.123
40	0.088	56	0.124
41	0.088	57	0.125
42	0.090	58	0.126
43	0.093	59	0.127
44	0.096	60	0.128
45	0.099	61	0.130
46	0.102	62	0.131
47	0.106	63	0.132
48	0.109	64	0.134
	0.113	65 & over	0.135

*The cost factors have been rounded, your actual cost may vary.

EXAMPLE: Member, age 45, earning \$60,000 a year, wishes to purchase 18 months of temporary service: Purchase Factor (from chart) = 0.102

$$\begin{array}{r r r r r} \text{Purchase} & & \text{Annual} & & \text{Time Being} & & \text{Purchase} \\ \text{Factor} & \times & \text{Salary} & \times & \text{Purchased} & = & \text{Cost} \\ 0.102 & \times & \$60,000 & \times & 1.5 \text{ years} & = & \$9,180 \end{array}$$

If the same member were to purchase 18 months of military service, the Purchase Cost would be \$18,360 or twice the amount of the temporary service.

After the Division of Pensions and Benefits processes your application to purchase service credit, you will receive a quotation of the cost of the 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 Division of Pensions and Benefits 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, including your Personal Benefits Statement, 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 pension system over a maximum period of 10 years and includes interest of 8.75 percent; or
- by paying a single down payment and having the remainder paid through payroll deductions.

If you retire before completing the purchase, you will receive prorated credit for the amount of service actually purchased or you can pay the remaining balance at the time of retirement and receive full credit.

A member who authorizes a purchase of service credit through payroll deductions may cancel those deductions at any time. No refunds will be made of any lump sum payments, partial payments, or installment payments. The member will receive a prorated credit for the service purchased to the date that 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. If you have an outstanding obligation for the purchase of additional service credit, interest may be assessed if there is a lapse in payments of two years or more toward the purchase.

If you authorized the purchase of service credit after September 8, 1998, and your account later becomes inactive for two or more years, the purchase will be cancelled and you will receive a prorated credit for the service purchased up to the date of inactivity. You may also pay the remainder of the purchase cost within 60 days of notification from the Division of Pensions. Any subsequent requests to purchase the remaining service credit shall be based on the laws and rules in effect on the date of the request.

LOANS

Active contributing members are eligible to borrow from their account twice per calendar year, up to a total of one half of their posted pension contributions.

You may obtain a loan application from your employer, or you may download an application from the Internet at: www.state.nj.us/treasury/pensions/forms.htm or from our Fax on Demand service at (609) 777-1931 and enter selection number 9000.

Loans are governed by the following conditions:

- **Service Credit**—You must have at least three years of pension membership credit posted to your pension account. Pension credit is posted to your account on a quarterly basis. It normally takes 60 days after the end of a quarter for your membership credit to be posted to your account. For example, if you enrolled in the pension fund on January 1, 2000, you would not have three years posted to your account until March 2003.
- **Loan Amount**—Loans are made in multiples of \$10. The minimum amount you may borrow is \$50. The maximum you may borrow is one-half of the contributions you have made that are posted to your account. You may learn the amount you may borrow by calling the Automated Information System at (609) 777-1777.
- **Loan Repayment**—The minimum deduction toward the repayment of a loan is equal to the normal pension contribution rate of 8.5 percent of your salary at the time you apply for the loan. The maximum deduction toward the repayment of your loan is 25 percent of your base salary. You may learn the deduction information toward the repayment of a loan by calling the Automated Information System at (609) 777-1777. The minimum loan repayment amount will be the same whether you borrow \$500 or \$5,000; however, the repayment of a larger loan will continue for a longer period than for a smaller loan. If you are out of work without pay after loan payments are set up, no loan payments can be made until you return to work and interest will

continue to accrue.

- **Interest**—Interest is charged at the rate of 4 percent per year on the remaining balance.
- **Number of Loans Per Year**—You may borrow twice in any calendar year. This is determined by the date of the loan check, not the date of the request. For example, if you made a request for a loan on December 24th but the check was dated January 5th, the loan would be your first for the new year.
- **Return to Payroll**—If you have been out of work without pay within the last six months or have recently changed employers, your employer must complete the bottom portion of the *Loan Application* to certify that you have returned to employment.

Members may borrow regardless of age. If you retire before repaying the outstanding balance of your loan, your loan will be carried into retirement. That is, your pension allowance will be reduced by the same monthly amount you were paying towards your loan just prior to retirement. You may also repay your entire 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 being 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.

The Automated Information System at (609) 777-1777 gives you complete access to information you may need about loans. It will tell you if you are eligible to borrow, how much you can borrow, and when your check will be sent if you have filed for a loan. It will allow you to model different loan and repayment amounts before you file for a loan. It will also provide you the balance on an existing loan.

POLICE AND FIREMEN'S MORTGAGE PROGRAM

A currently employed police officer or firefighter that is a member of the PFRS with at least one-year of creditable service is eligible to apply for a mortgage through the PFRS. The program is administered through private lenders in New Jersey and is applicable to an owner-occupied principal residence. The maximum mortgage amount is \$225,000. Second Mortgages are not permitted. Please contact the New Jersey Housing and Mortgage Finance Agency, at (609) 278-7570, for participating lending institutions.

SUPPLEMENTING YOUR PENSION

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.

All active PFRS members are eligible to participate in the Supplemental Annuity Collective Trust (SACT). You may also be eligible to contribute to a deferred compensation plan (IRC Section 457) if your employer offers it. Contact your employer to see if this is available to you. Two plans offered by the Division of Pensions and Benefits are explained below.

Supplemental Annuity Collective Trust (SACT)

The Supplemental Annuity Regular Plan is available to all active contributing members of a New Jersey State-administered retirement system. Contributions to this plan are made after deductions for federal income tax. The main benefit of this plan is to help supplement your retirement income through investments.

Informational brochures and enrollment packets are available by calling (609) 633-2031 or by writing to: Supplemental Annuity Collective Trust, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

New Jersey State Employees Deferred Compensation Plan

PFRS members, who are employees of the State, are eligible for the New Jersey State Employees Deferred Compensation Plan. Contributions to the plan are made on a before-tax basis and are not subject to federal income tax until you take a distribution from the plan, either at retirement or termination of employment 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.

Informational booklets on investment options and other pertinent information are available by calling (609) 292-3605 or by writing to: New Jersey State Employees Deferred Compensation Plan, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

RETIREMENT

Retirement for PFRS members is mandatory at age 65. If you do not file an *Application for Retirement Allowance* before age 65, you are automatically retired on the first of the month following your 65th birthday. Retirement benefits, however, are not payable until

you file the application. Elected officials are exempt from mandatory retirement from their elected position.

Types Of Retirement

There are several types of retirement for which you may qualify. The calculation of your retirement benefit is based on your Final Compensation. Final Compensation means the base salary in the 12 months immediately preceding retirement.

Please also see the "PFRS Retirement Benefits" chart located on page 26.

Service Retirement

The eligibility requirements for a Service Retirement fall into two categories. If you are age 55 or older you may retire without any minimum years of service requirement. If you have at least 20 years of service at retirement you may retire at any age provided you were enrolled in the PFRS as of January 18, 2000.

The annual benefit calculations for a service retirement are:

- If you have less than 20 years of service credit, you will receive 2 percent of your Final Compensation for each year of service.
- If you have at least 20 years but less than 25 years of service credit, you will receive 50 percent of your Final Compensation.
- If you are age 65 (mandatory retirement age) and have 20 or more years of service credit, you will receive 50 percent of your Final Compensation, plus three percent of your Final Compensation for each year of service over 20, up to 25 years, if enrolled in the PFRS as of January 18, 2000.
- If you have 40 years of service credit, you will receive 70 percent of your Final Compensation, plus an additional one percent of your Final Compensation for each year of service credit over 40 years.

Special Retirement

To be eligible for a Special Retirement at any age, you must have a minimum of 25 years service credit as a member of the PFRS.

The annual benefit calculation for a Special Retirement is equal to 65 percent of your Final Compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 70 percent of your Final Compensation.

Chapter 247, P.L. 1993 permitted certain employees enrolled in the Public Employees' Retirement System (PERS) to transfer to the Police and Firemen's Retirement System (PFRS). If a member transferred

into the PFRS under this law and exercised the option to pay the accrued liability (the difference in the value of the service between the two funds), all service would be considered PFRS service and the retirement would be calculated as a pure PFRS benefit. For those who transferred under this law but did not pay the accrued liability, the service is combined for PFRS eligibility purposes, but the retirement allowance is calculated on the PERS retirement formula for service before transfer and the PFRS retirement formula for service since the transfer. The PERS retirement formula is: years of service divided by 60, times your final average salary (FAS), which is an average of your last three years or highest three years salary: $\text{Service} \div 60 \times \text{FAS} = \text{annual retirement benefit}$.

Deferred Retirement

To be eligible for a Deferred Retirement you must have at least 10 years of service credit and not yet be 55 years of age when terminating employment.

The benefit calculation for a Deferred Retirement is equal to 2 percent of Final Compensation for each year of service. The retirement will be in effect on the first of the month after attaining age 55. You must complete an *Application for Retirement Allowance* after you terminate covered employment to receive a Deferred Retirement.

If you are removed from employment for cause on charges of misconduct or delinquency, you are ineligible for Deferred Retirement benefits.

Your death benefits coverage will not be in effect between the time you terminate employment and your Deferred Retirement becomes effective.

If you die between the time you terminate employment and your retirement becomes effective, the last named beneficiary will receive the return of your pension contributions. There is no other death benefit under these circumstances. At any time before your Deferred Retirement becomes effective, you may change your mind and apply for a lump sum withdrawal of your pension contributions instead. Once you cancel your Deferred Retirement and withdraw your contributions, all the rights and privileges of membership end.

Members electing Deferred Retirement, who are covered under the State Health Benefits Program cannot transfer their active health care coverage to the retired group of the State Health Benefits Program. Those electing Deferred Retirement may be eligible for continuation of State Health Benefits coverage under federal legislation called "COBRA" for

up to 18 months if they were covered by the State Health Benefits Program just prior to terminating employment. If the actual retirement commences while the 18 months of COBRA coverage is in effect, the retiree may then transfer from the COBRA coverage and continue the State Health Benefits coverage into retirement. If the 18 months of COBRA coverage ends before the retirement commences, the member will not be entitled to maintain health coverage through the New Jersey State Health Benefits Program retired group. Participants should contact their employer to see if they qualify for COBRA continuation.

If you have an outstanding obligation for the purchase of additional service credit, interest may be assessed if there is a lapse in payments of two years or more.

Ordinary Disability Retirement:

To qualify for Ordinary Disability Retirement you must:

- be a member in service at the time the application is filed with the Division of Pensions and Benefits (an official leave of absence is considered in service);
- have 4 or more years of New Jersey service credit (out-of-state, U.S. Government and Military purchases cannot be used to attain the four years);
- be considered totally and permanently disabled; and
- submit medical reports certifying your disability. All medical information is confidential and used only by the Board of Trustees and its Medical Review Board in reviewing your claim.

The annual benefit calculation for an Ordinary Disability Retirement 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 for Disability Retirement contains forms for your physician(s) to complete and a release for hospital records related to your disability. The application requires corroboration of your condition by at least two medical sources. It is the applicant's responsibility to arrange for all physicians' statements and to have the hospital records sent to the Division. Applicants may be examined by physicians selected by the retirement system. All medical information is confidential and only for use by the PFRS Board of Trustees and the Board's Medical Review Board in evaluating your application. The more complete the application, the faster it can be evaluated, although the process may take three to five months. Your employer has the right to apply for

an involuntary disability retirement on your behalf.

Involuntary Ordinary Disability Retirement: A PFRS member with more than 20 years, but less than 25 years of service, who meets the qualifications for Ordinary Disability shown above and who is required to retire upon application by the employer, will receive an Ordinary Disability Retirement allowance of 50 percent of Final Compensation plus an additional 3 percent of Final Compensation for every additional year of creditable service over 20 but not over 25 years.

Approval for Workers' Compensation or Social Security Disability benefits has no bearing on your application for disability retirement from the PFRS.

Special Disability Retirement:

To qualify for Special Disability you must:

- be a member in service at the time the application is filed with the Division of Pensions and Benefits (an official leave of absence is considered in service);
- have five or more years of New Jersey service credit; and
- receive a heart transplant.

The annual benefit calculation for a Special Disability Retirement is equal to 50 percent of Final Compensation.

Accidental Disability Retirement:

To qualify for Accidental Disability you must:

- be a member in service at the time the application is filed with the Division of Pensions and Benefits (an official leave of absence is considered in service);
- be enrolled in the PFRS on or before the date of the traumatic event (see definition below);
- be considered totally and permanently disabled as a direct result of a traumatic event that happened during and as a direct result of carrying out your regular or assigned job duties;
- file the application within five years of the date of the traumatic event; and
- be examined by physicians selected by the retirement system. All medical information is confidential and used only by the Board of Trustees and its Medical Review Board in reviewing your claim.

A "TRAUMATIC EVENT" has been defined by the courts as one in which the worker is involuntarily exposed to a violent level of force or impact, which is not brought into motion by the worker. The seriousness or extent of the injury does not determine

whether an accident qualifies as a "traumatic event." To be eligible for Accidental Disability Benefits, the worker must demonstrate that:

- the injury was not induced by normal work effort;
- the worker met involuntarily with the object that was the source of the harm; and
- the source of the injury was a violent or uncontrollable power.

The annual benefit calculation for an Accidental Disability Retirement is:

- 2/3 of your salary at the time of the traumatic event or at the time of retirement, whichever is higher. If you receive periodic Workers' Compensation benefits after retirement, the pension portion of your retirement allowance will be reduced dollar-for-dollar in the amount of the periodic benefits.

If you apply for Accidental Disability 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 retired on Ordinary Disability, if you have the necessary service credit. The *Application for Disability Retirement Allowance* is not available from your employer. You should contact the Division of Pensions and Benefits to obtain this application. The application contains forms for your physician(s) to complete, a form for your employer to complete with questions regarding the traumatic event, and a release for hospital records related to your disability. It is the responsibility of the applicant to secure all physicians' statements and to arrange for hospital records to be sent to the Division. The more complete your application, the faster it can be processed, although the process may take three to five months. Your employer has the right to apply for an involuntary disability retirement on your behalf (see "Involuntary Ordinary Disability Retirement" on page 10). Approval for Workers' Compensation or Social Security Disability benefits has no bearing on your application for disability retirement from the PFRS.

Before You Retire

You should inquire about retirement at least six months before your retirement date. This will give you enough time to review your benefits. The Division of Pensions and Benefits regularly schedules pre-retirement seminars throughout the state. Check with your employer or the Division of Pensions and Benefits to find out when a seminar is being offered at a convenient time and location for you to attend.

You can also download the seminar schedule from the Internet at: www.state.nj.us/treasury/pensions/seminars.htm

If you are within two years of retirement, you may submit a *Request for a Retirement Estimate to the Division of Pensions and Benefits*. This will provide you with a written estimate of your retirement allowance, widows/widower's pension, and life insurance. Your employer has this form or you may obtain one from the Division of Pensions and Benefits' Fax on Demand service at (609) 777-1931 and enter selection number 8207. Retirement estimates are kept confidential. You may also obtain a computer generated telephone estimate by calling the Automated Information System at (609) 777-1777.

APPLYING FOR RETIREMENT

It is your responsibility to file an *Application for Retirement Allowance* with the Division of Pensions and Benefits. All retirements are effective on the first of a month. You must submit your *Application for Retirement Allowance* on or before your retirement date. Four months advance filing is recommended. Under no circumstances can a retirement become effective prior to the date the application is received by the Division of Pensions and Benefits. Therefore, you must file your original application with the Division of Pensions and Benefits: do not give it to your employer. Processing time varies and cannot begin until the Division has received the necessary information.

If you have not furnished proof of your age to the Division, you must do so when applying for retirement (acceptable proofs of age are outlined on page 3). Please attach a photocopy of your proof of age to your retirement application. If married, you should also attach a photocopy of your marriage certificate.

State Health Benefits Coverage in Retirement

Employees already covered by the State Health Benefits Program (SHBP) through their employer will be offered SHBP coverage when they retire. Some employers have agreed to pay for the cost of coverage for those with 25 years of service credit or those on disability retirements.

Chapter 330, P.L. 1997, provides health benefits under the State Health Benefits Program (SHBP) to local police officers and firefighters who retire after 25 years of service, or on a disability, and who do not receive any payment towards retiree health coverage from their employers. The State will pay 80 percent of the cost of the least expensive SHBP plan offered and the retiree will pay the remainder for the plan selected.

The eligibility of retired police officers and firefighters for benefits under Chapter 330 will depend on the health benefits provided by the employer for retired

police officers and firefighters as of the effective date of the law, July 1, 1998, as indicated in labor and other employment contracts, ordinances, and resolutions of the employers.

Unsatisfied Balances

Loans—If you retire with an outstanding loan balance, you may:

- pay the loan in full prior to receiving any benefits; or
- continue your monthly loan repayment schedule into retirement.
- You must choose how you intend to repay your loan balance on your *Application for Retirement Allowance*.

Purchase Arrears—When you apply for a purchase of service credit, the Division assumes that the obligation will be paid before your retirement and your account is credited with the full amount of service you are purchasing. If this obligation has not been paid when you retire, your *Quotation of Retirement Benefits* will state the balance of your arrears as of your retirement date. At that time, you must pay the balance of your arrears. If you cannot pay off the balance, you must notify the Division in writing and the service credit, which has not been paid for, will be subtracted from your total years and months of service. This will affect the amount of your retirement allowance and may affect your eligibility for retirement.

If you have an outstanding 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 Division of Pensions and Benefits of the amount of any shortage. You are responsible for payment of any shortages at retirement.

No retirement benefit will be paid until all obligations have been satisfied.

Retirement Checks

Your first retirement benefit payment cannot be issued earlier than the first of the month following your retirement date, or 30 days after the date of the PFRS Board of Trustees' approval, whichever is later. This is when your retirement becomes 'due and payable.' If approval of your retirement is delayed, your first benefit payment will be retroactive to the

date of your retirement. Regular retirement benefit payments are dated on the first of the month to cover the allowance for the previous month. For example, your benefit payment for the month of September will be dated October 1st.

Change of Address

It is important that you inform the Division of Pensions and Benefits of a new address. If informing the Division of Pensions and Benefits of an address change by letter, be sure to include your new address and your retirement number or Social Security number and mail your letter to The Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295. You can also change your address with the Division of Pensions and Benefits by calling (609) 292-6683 or over the Internet at: www.state.nj.us/treasury/pensions/forms/htm

Direct Deposit

Direct deposit of retirement checks is strongly recommended. Shortly after your retirement date you will receive an *Authorization of Direct Deposit* form from the Division of Pensions and Benefits. If you wish to have your retirement checks directly deposited, send the completed form to the Division of Pensions and Benefits (you will still receive a monthly statement of allowances and deductions). Please allow approximately 90 days for the direct deposit to begin. Direct Deposit will prevent your retirement checks from being lost or stolen. Direct deposit forms are also available for downloading over the Internet at: www.state.nj.us/treasury/pensions/forms/htm

Federal and State Income Tax after Retirement

The degree to which your pension is taxed 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. Employee contributions made after 1987 are tax deferred. Contributions made for the purchase of service are also made with after tax dollars. Employer contributions and system earnings are before tax dollars and are taxable.

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 always been taxed deferred.

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. Since your contributions before 1987 and any purchase of service credit were already taxed, the Internal Revenue Service (IRS) will allow you to recover those 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 portion of each monthly retirement check is tax-free. The remainder of the monthly benefit is subject to federal income tax. As of January 1, 1984, the exclusion from federal tax liability for disability pensions was repealed. Your disability pension is taxable to the same extent as other pensions. Any questions should be referred to the IRS at 1-800-TAX-1040.

If you retired with an Accidental Disability Retirement, you may wish to check with the IRS to determine if your benefit is federally taxable.

Even if you receive your pension by direct deposit, a *Statement of Allowances and Deductions* accompanies each retirement check or notice of deposit. These check stubs should be retained with your other income tax records. The Division of Pensions and Benefits also issues an annual 1099-R form reflecting the taxable retirement allowance paid during the preceding tax year.

The Division of Pensions and Benefits will provide for the withholding of federal and New Jersey State income tax from your retirement check. The Division is obligated to withhold federal income tax unless you file a W-4P form instructing us not to do so. New Jersey income tax withholding is voluntary, and none will be withheld unless you instruct us 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. You may obtain a federal W-4P form or New Jersey State withholding form (NJ-W-4P) by calling or writing the Division of Pensions and Benefits. W-4P forms are also available for downloading from our Internet homepage at: www.state.nj.us/treasury/pensions Any questions about your federal income tax should be directed to the Internal Revenue Service at 1-800-TAX-1040. For questions about New Jersey income tax, call the New Jersey Division of Taxation at 1-800-323-4400. The Division of Pensions and Benefits cannot provide tax advice.

YOUR RETIREMENT CHECKLIST

When planning for a successful retirement, it is important to give yourself enough time to review your benefits and options. The time frames in this checklist are a guide. Processing time varies and cannot begin until the Division of Pensions and Benefits receives all the necessary information and forms from both you and your employer.

6-8 Months Before Retirement

- Complete a Request for Retirement Estimate form and submit it to the Division of Pensions and Benefits. You may obtain a copy of this form either from your employer, from the Internet at: www.state.nj.us/treasury/pensions or by writing to the Division of Pensions and Benefits. You may also call the Automated Information System at (609) 777-1777 to get an oral estimate of your retirement benefit.
- Consider attending a pre-retirement seminar conducted by the Division of Pensions and Benefits. Contact the Division at (609) 777-2111 (this number is only for seminar information) for dates and registration. Seminar schedules are also available over the Internet at: www.state.nj.us/treasury/pensions/seminars.htm State employees must register through their training officer.

4-6 Months Before Retirement

- Submit an *Application for Retirement Allowance* (available from the Division of Pensions and Benefits or your employer) to the Division of Pensions and Benefits. Accuracy and thoroughness are important when completing your *Application for Retirement Allowance*.
- Attach a photocopy of your birth certificate if one is not on file with the Division. Your retirement application will not be processed until the Division receives copies of birth date evidence.
- Write "Purchase Pending" on the top of your *Application for Retirement Allowance* if you have applied for a purchase of additional service credit in the past few months.
- If you retire with an outstanding loan balance, you must indicate on your application how you wish to repay your loan balance. You may pay the loan in full prior to receiving any benefits; or continue your monthly loan repayment schedule into retirement.
- The amount of your life insurance coverage through the pension plan 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 by applying to a Prudential Insurance Company agent within 31 days of your termination of employment. No physical examination is required to prove insurability. The cost of the coverage will be at the standard rate for someone your age. If you live in New Jersey, you can contact Prudential at 1-800-262-1112. You should contact other insurance carriers and compare the available policies and costs before you decide to purchase the conversion policy. (See "Conversion of Group Life Insurance" on page 18 for more details.)

- Ask your employer to submit a *Certification of Service and Final Salary* to the Division of Pensions and Benefits.
- If you participate in the Supplemental Annuity Collective Trust (SACT), contact the SACT office at (609) 633-2031.
- If you participate in the New Jersey State Employees Deferred Compensation Plan, contact the Deferred Compensation office at (609) 292-3605.
- You will receive a letter from the Division of Pensions and Benefits acknowledging receipt of your retirement application. Also included are answers to some frequently asked retirement questions.

Approximately 3 Months Before Retirement

You will receive a letter offering you enrollment in the New Jersey State Health Benefits Program (SHBP) if you are:

- currently covered by the SHBP; or
- a member of the PFRS with 25 years or more of service credit in the pension fund or retiring on a disability retirement whose employer pays no portion of your health benefits coverage in retirement.

Approximately 2 Months Before Retirement

You will receive a *Quotation of Retirement Benefits* letter, which shows your monthly retirement allowance with your life insurance benefit after retirement, and your spouse's survivor benefits if you are married. That quotation will also include:

- a quote of any outstanding loan balance; and
- a notice on any outstanding arrears (purchase) balance and/or shortage.

Any outstanding arrears or shortage must be paid before your retirement check can be issued. Failure to

respond to this notice will delay your retirement benefits.

Approximately 1 Month Before Retirement

Your retirement will be presented to the Board of Trustees for approval. You will receive a Board approval letter and will have 30 days from the Board approval date or your effective retirement date (whichever is later) to cancel your retirement or

You may also want to:

- Discuss the possibility of continuing prescription drug, dental, or vision coverage under the provisions of COBRA with your employer.
- If you or your spouse (who is covered as a dependent under your health plan) is age 65, contact the local Social Security Administration office for full Medicare enrollment. At age 65, you and/or your spouse must be covered by both Part A and Part B of Medicare to be eligible to be a member in the SHBP.

Shortly After Your Retirement Date

- You will receive forms for withholding federal and New Jersey State income tax.
- You will receive a form to have your retirement check deposited directly to your bank account.
- Your first retirement check will be dated no earlier than the first of the month following your retirement date or 30 days after approval by the Board of Trustees, whichever is later.
- You will receive a letter summarizing your retirement and death benefits. The letter will also supply figures needed in filing your income tax return.
- If you enrolled in the State Health Benefits Program, you will receive new identification cards from the health insurance plan you selected.

REDUCTION OR SUSPENSION OF YOUR BENEFITS

Normally, you will receive retirement benefits as long as you live. Your benefits, however, could be revoked, reduced, or suspended if:

- as a disability retiree, you fail to appear for a medical examination when requested to do so.
- as an accidental disability retiree, you receive periodic Workers' Compensation benefits after your retirement date.
- you become mentally or physically incompetent. (Your benefits will not be reinstated until a legal representative has been appointed.)
- you have an outstanding shortage or purchase

arrears at the time of your retirement.

- you return to a position covered by the PFRS (see "Employment After Retirement" below).
- you receive salary from your employer for services rendered after your date of retirement.
- you waive your right to a portion of any pension to which you are entitled.
- you are incarcerated (although the Board of Trustees may permit the continuance of your benefits to your family).
- an accounting error is made and the PFRS must be repaid.

Your pension is normally exempt from any liens against it. Exceptions are tax liens imposed by the federal Internal Revenue Service, and court orders for child support, alimony, or equitable distribution. The order is effective only when you withdraw your funds or when you begin to receive monthly retirement payments. If the order is received while you are in active employment, it is deferred until pension funds are disbursed (retirement, death, or withdrawal.)

Your benefits may be reduced or suspended if you are convicted of a crime involving your employment. The Board of Trustees is empowered to order the forfeiture of all or part of the pension or retirement benefit of a member for misconduct during public service which renders the service, in whole or in part, dishonorable.

The Division of Criminal Justice in the Department of Law and Public Safety is required to inform the Division of Pensions and Benefits whenever a public official or employee is prosecuted or convicted. State and local public employers are also required to notify the Division of Pensions and Benefits whenever a public official or employee is removed from public office or employment for cause. The Board of Trustees considers each case on its own merits.

COST-OF-LIVING ADJUSTMENTS

The Pension Adjustment Program provides automatic cost-of-living adjustments (COLA) to retirees and their survivors who receive a monthly retirement allowance from the PFRS. The first adjustment is available to all retirees and eligible survivors on the 25th month after the member's retirement. Subsequent cost-of-living adjustments are computed annually and are reflected in the February 1st check (which is payment for the month of January). The COLA is based on your initial retirement allowance.

The Division of Pensions and Benefits uses the Consumer Price Index (CPI) for Urban Wage Earners

and Clerical Workers (CPI-W), U.S. City Average, All Items, 1982-84=100. Your rate of increase is equal to 60 percent of the percentage of change between the average CPI for the calendar year in which you retired and the average CPI for the 12 month period ending August 31, immediately preceding the year when the adjustment is payable.

EXAMPLE: To calculate the COLA due February 1, 2000, for a member retired in 1983 with a monthly retirement allowance of \$2,556.70, take the average CPI for the twelve months ending December 31, 1983 which was 99.8, and the average CPI for the twelve months ending August 31, 1999, which was 161.8.

To calculate the change in the CPI, subtract 99.8 from 161.8. ($161.8 - 99.8 = 62.0$)

To calculate the percentage change in the CPI between the retirement year, 1983, and the 12 months ending August 31, 1999, divide 62.0 by 99.8, which equals 62.124 percent.

The cost-of-living adjustment rate for February 1, 2000 equals 60 percent of 62.124 percent or 37.2744 percent ($.60 \times 62.124 = 37.2744$).

Therefore the cost-of-living adjustment for this member is 37.2744 percent of \$2,556.70 or a \$952.99 increase ($.372744 \times \$2,556.70 = \952.99) from the initial allowance.

The total monthly benefit now equals \$3,509.69 ($\$952.99 + \$2,556.70$).

Your current cost-of-living adjustment, if applicable, can be found under the Current Earnings section of your retirement benefit check stub.

SOCIAL SECURITY

Your pension is not reduced by any Social Security benefits you may receive.

EMPLOYMENT AFTER RETIREMENT

Working for private industry or the federal government will not affect your retirement benefits. Most public employees will not resume public employment in this state after retirement. For those who do, there are several areas of concern:

Returning to a Position Under the Police and Firemen's Retirement System—If you accept regular employment in a position covered by the PFRS (and are otherwise eligible for enrollment in the PFRS), you must reenroll in the PFRS as a condition of employment. Your retirement allowance will be cancelled for the duration of your employment. Your

date of enrollment is determined under the general enrollment procedures of the PFRS (see "Enrollment" on page 3). You become an active member again in all respects. If you die while in the second membership, no benefits established from the previous membership or retirement are payable other than a return of your contributions. This includes survivor and death benefits.

If you return to employment under the PFRS and are eligible for membership and you fail to enroll, you will be required to reimburse the retirement system for the amount of all retirement benefits you received from the date you should have enrolled. In addition, you will be responsible for pension contributions retroactive to your mandatory enrollment date. Your employer may also be liable for back pension and Social Security contributions. There are no time limits or limits on the amount of reimbursement that may be recovered by the retirement system in these situations. To avoid possible problems like these, write to the Division of Pensions and Benefits and ask before you accept new employment.

When you retire again, the first allowance is restored and a second allowance is calculated based on your second membership; but under no circumstances can the combined benefit exceed the benefit the member would have received had the member stayed continually employed. For example, if you retired after 25 years with a Special Retirement — 65 percent of Final Compensation — and then returned to work in a PFRS covered position for another 10 years — 20 percent of Final Compensation under a Service Retirement, your combined benefit could not exceed 70 percent of Final Compensation, the maximum benefit you could have expected to receive had you continued in your first position. These two calculations are paid in the same monthly retirement check.

Returning to Work in a Position Covered by Any Other State of New Jersey Administered Retirement System—Your retirement allowance continues and you can receive salary but cannot become a member of that system.

Disability Retirees Restored to Active Service — Before returning to active service, disability retirees must first submit documentation to prove to the satisfaction of the Board of Trustees that they are no longer disabled. When you return to active service, your membership will be restored in the retirement system. Deductions for pension are resumed and you are treated as an active member in all respects. Upon subsequent retirement, you will receive a benefit based on your total service.

State Health Benefits Coverage—Returning to public employment in New Jersey may affect your eligibility to continue coverage under the State Health Benefit Program (SHBP). If your retirement allowance is canceled because you return to work in a position covered by the PFRS, your retired SHBP coverage is also canceled until you retire again. Returning to a position not covered by the PFRS will not affect your eligibility for retired group coverage under the SHBP. Maintaining SHBP retired group coverage also does not affect your eligibility for active group health coverage associated with your new employment.

Social Security Benefits—There is an earnings test for people, under age 65, receiving Social Security benefits. Check with the Social Security Administration for information on their earnings limit before accepting employment after retirement.

Exceptions for Elected Officials — Under the provisions of Chapter 96, P.L. 1999, members of the PFRS holding public office can retire from the office to which the member was elected and continue to receive a full salary for that office if the member's retirement allowance is not based solely on service in that public office. The member will stop making pension contributions as of the retirement date. No further service credit will accrue after retirement and only the retired death benefit of 50 percent of final compensation would be paid (instead of 3½ times salary, should the member die).

ACTIVE AND RETIRED DEATH BENEFITS

Upon the death of an active or retired member, two benefits are payable: group life insurance and a monthly pension to a specific family member. The group life insurance is explained below. An explanation of the monthly pension to a family member begins on page 20.

Group Life Insurance

Your employer pays the cost of your group life insurance. Group life insurance is covered by policies issued by the insurance carrier (Prudential Group Life Insurance). You receive an individual certificate from the Division of Pensions and Benefits that you should keep with your important papers. The group policy number 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) will receive a death benefit equal to 3½ times your Final Compensation, the total base salary upon

which your pension contributions were based during the year preceding your death. If you die during the first year of creditable service, the benefits will be 3½ times your creditable base salary upon which pension contributions were paid.

Coverage for Retired Members—If you die after retirement, your named beneficiary (or estate where there is no named beneficiary) will receive an amount equal to ½ of your Final Compensation, the total base salary upon which your pension contributions were based during the year preceding your retirement. However, if you retire on a Disability Retirement, the amount will be equal to 3½ times your Final Compensation until age 55 when it will be reduced to ½ of Final Compensation.

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

Payment of Group Life Insurance

Active members can complete a *Designation of Beneficiary* form to designate how their group life insurance benefits will be paid. If you choose Lump Sum, your beneficiary can pick another payment option upon your death. The options are:

- **Lump Sum.**
- **Annuity Certain** is equal installments over a period of years. If your beneficiary dies before all the payments have been made, the remaining monies will be paid in a lump sum to your beneficiary's designated beneficiary.
- **Life Annuity** is paid monthly to your beneficiary for life. Payment continues even if your beneficiary outlives the actual amount of the benefits. For this reason, the value of the annuity is based on the amount payable and the life expectancy (age) of the beneficiary. Payments cease at your beneficiary's death.
- **Other Possibilities** include options provided by the insurance company (Prudential) to its ordinary life policyholders.

Group life insurance for retirees must be paid in a lump sum.

These death benefits cannot be paid until all the necessary information and forms have been received by the Division of Pensions and Benefits. To report a death, contact Client Services at (609) 292-7524.

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 (also family leave).

A member who has been suspended without pay is covered for group life insurance for up to 93 days.

Choosing A Beneficiary

Your enrollment application contains a section in which you name beneficiaries for both your group life insurance benefits and return of your contributions. You may name any person, organization, your estate, or a trust as beneficiary. You may change this designation at any time during your membership by filing *Designation of Beneficiary* forms. At retirement, you are asked to nominate life insurance beneficiaries on your *Application for Retirement Allowance*.

Designation of Beneficiary forms can be obtained from your employer, through our Fax on Demand, (609) 777-1931 or downloaded from our Internet homepage at: www.state.nj.us/treasury/pensions/forms/htm For your protection, designations cannot be accepted over the telephone or through a letter. All beneficiary designation forms must be notarized and sent in to the Division of Pensions and Benefits.

Taxation of Group Life Insurance Benefits

The Internal Revenue Service classifies all employer-provided life insurance coverage over \$50,000 as a fringe benefit subject to taxation. The amount of life insurance coverage is not taxable but rather the premium required to pay for the life insurance coverage is taxable. Chapter 62, P.L. 1994 permits members of the State retirement systems to waive their Non-Contributory Group Life Insurance over \$50,000 to avoid a possible federal and State tax liability on that benefit. Any member, who waives the Non-Contributory Group Life Insurance, must waive the total amount of non-contributory coverage in excess of \$50,000. Waivers of partial amounts are not permitted.

IRS Premium Rates* as of 7/1/99
(Annual cost per \$1,000 of coverage)

Age	Premium
Under age 25	\$ 0.60
25-29	0.72
30-34	0.96
35-39	1.08
40-44	1.20
45-49	1.80
50-54	2.76
55-59	5.16
60-64	7.92
65-69	15.24
70 and above	24.72

*These rates are subject to change by the IRS.

To determine the taxable amount, if any, subtract \$50,000 from the amount of your non-contributory 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 above) 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 W-2 for that year.

EXAMPLE: A PFRS member is age 52 and has non-contributory life insurance coverage of 3½ times salary.

The member's annual base salary is \$60,000. The member's life insurance coverage totals \$210,000 (3.5 percent x \$60,000).

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

According to the IRS, the premium cost for an individual 52 years of age is \$2.76 per \$1,000 of coverage. The premium cost in this example is \$441.60 (160 x \$2.76) and this amount would be added to your taxable income.

Waiving Non-Contributory Group Life Insurance Over \$50,000

In the example above the member's noncontributory life insurance coverage equals \$210,000 (3.5 percent x \$60,000). In this example the member could waive \$160,000 of noncontributory life insurance coverage because members are only permitted to waive noncontributory life insurance coverage over \$50,000. The net taxable value would be reduced to \$0.00.

You may waive your Non-Contributory Group Life Insurance coverage in excess of \$50,000 by completing a waiver form and submitting it to the

Division of Pensions and Benefits. The form is available from the Division of Pensions and Benefits or your employer. The waiver form must be received by the Division of Pensions and Benefits before December 31 to be effective January 1 of the next calendar year. Once a waiver form has become effective it shall be irrevocable for the entire calendar year. The waiver will remain in effect until you submit a reinstatement form to the Division of Pensions and Benefits. The reinstatement will become effective the following January 1.

If a waiver is in effect at the time of termination of employment or retirement, you will not be permitted to convert any amount of your Non-Contributory Group Life Insurance coverage over \$50,000.

Before completing the waiver, you should completely understand the ramifications of waiving your non-contributory life insurance. For more information, refer to Internal Revenue Service Publication 525.

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 after 93 days of a leave of absence for personal reasons). You are eligible to continue your life insurance coverage after you leave employment by purchasing a converted life insurance policy with Prudential, without medical examination, at your own expense.

- You have the option to convert your group life insurance coverage to an individual policy with the Prudential Insurance Company when you retire, terminate employment, or lose coverage while on a leave of absence without pay. This conversion to a Prudential policy is guaranteed (you cannot be denied coverage for health or other reasons), but it may be more expensive or less suitable to your needs than other policies for which you may qualify from Prudential or other insurance carriers. You should contact other insurance carriers and compare the available policies and costs before you decide to purchase the conversion policy. (Other carriers may accept or reject your application based on their evaluation of the status of your health and other factors.)
- If you wish to purchase a conversion policy, you have a one-time option to do so prior to the 31st day after you cease employment. After that date, you will not be eligible to purchase a conversion policy.
- You may convert your life insurance to any individual, non-group policy customarily offered

by Prudential; however, you cannot convert to term insurance or a policy containing disability benefits. Under a guaranteed conversion, the premiums you would pay would be Prudential's "standard" rates for the type of policy to which you would be converting rather than the "preferred" rates that would be used for applicants in good health. The individual policy will be effective at the end of the 31-day conversion grace period. If you do not convert to an individual policy by the end of the 31-day period, your coverage will end.

- To initiate the purchase of a conversion policy, you must contact the Prudential Insurance Company (not the Division of Pensions and Benefits) through any of its local offices or, if you live in New Jersey, by calling 1-800-262-1112. You will need to provide your group insurance policy number, which is G-14800.

The conversion policy can be for any amount of insurance up to the amount that you had while employed. (In the case of a retirement the maximum amount that you can purchase will be reduced by the amount of any life insurance that you will automatically receive in retirement under your retirement plan.)

Please note that you have 31 days after termination of employment to take advantage of the conversion privilege. In order to ensure the conversion will be effective on that date you must file the conversion application along with your first month premium before the 31 days. The individual policy will be effective at the end of a 31-day period from when Prudential receives the application.

The reduction (due to retirement) or elimination (due to termination of employment) of your life insurance coverage will be effective 31 days after your employment ceases. If you wish to supplement this coverage with either a conversion policy from Prudential or another type of policy from Prudential or another insurance carrier, it would be best to begin exploring your options at least four months prior to your termination or retirement.

The following sections provide more detailed information about conversion policies for the specific situations of retirement, deferred retirement, termination of employment and leave of absence.

Conversion: On Retirement

If you retire with 10 or more years of service credit in the retirement system, the amount of your group life insurance will be substantially reduced when you retire. The amount of your coverage will be listed in the *Quotation of Benefits* that you will receive prior to your retirement. It will be identified as the "Lump Sum

Death Benefit." You will automatically be covered by this insurance and do not need to do anything to qualify.

EXAMPLE: If you had group life insurance of \$175,000 through the retirement system while employed, and that life insurance coverage drops to \$25,000 at retirement, you can purchase up to \$150,000 in life insurance coverage under an individual non-group policy by contacting a Prudential agent within 31 days following your termination of employment.

If you retire on a service retirement with less than 10 years of service credit in the retirement system, you will not be entitled to any group life insurance in retirement. In this case, you would be able to convert your entire group life insurance amount.

Conversion: Deferred Retirement

Your life insurance coverage will end 31 days after termination of employment. Any life insurance coverage to which you are entitled upon retirement will not take effect until you reach age 55 and begin to receive retirement benefits.

You have the one-time option to purchase a conversion policy prior to the 31st day after termination of employment (not at the time that you reach normal retirement age). The maximum amount of coverage that you may purchase will be the difference between the amount of coverage you had while employed and the amount of coverage that you will automatically receive when you begin to receive retirement benefits.

Conversion: Disability Retirement

Your life insurance coverage will continue while your disability retirement benefits are being processed.

If you are approved for a disability retirement you will automatically be covered by life insurance until you reach age 55. The amount of this coverage will be 3.5 multiplied by your base salary in the 12 months preceding retirement until you reach age 55, and then it will be one-half of that same salary until you die. You will have the option to purchase a conversion policy up until the day you reach age 55. The maximum amount of coverage that you may purchase will be the difference between the amount of coverage you had while employed and the amount of coverage that you will automatically receive when you reach the normal retirement age of 55.

Conversion: Termination of Employment or Leave of Absence

If you terminate employment without applying for retirement or your insured period during a leave of absence expires, you will continue to be covered for the next 31 days. Up until the end of that 31-day period, you may convert your group life insurance,

without medical examination, to any individual policy customarily offered by Prudential except term insurance or a policy containing disability benefits.

EXAMPLE: If you had group life insurance of \$96,000 through the retirement system while employed, that life insurance coverage is eliminated 31 days after termination of employment. You can purchase up to \$96,000 in life insurance coverage under an individual non-group policy by contacting a Prudential agent within 31 days of your termination of employment.

Conversion: Return to Public Employment

If you return to public employment after the purchase of a conversion policy, you must discontinue your individual conversion policy. If you do not, you will be required to submit satisfactory proof of insurability before you can be covered again in full under a group life insurance policy.

Group Life Insurance Coverage while Receiving Workers' Compensation without Pay

If you are disabled due to an illness or injury that is a direct result of your regular job duties, you should immediately apply for an official leave of absence. Your group life insurance will automatically continue for the duration of the leave of absence, up to two years. During the interval between the time you are without pay and the actual receipt of the Workers' Compensation award, you must be on an authorized leave of absence granted by your employer.

Payment of Pension to a Family Member

Upon the death of an employed or retired member, the spouse, child(ren), or 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 that follow are explained here.

"Surviving spouse" means the person to whom you were married on the date of your death and who has not remarried.

"Child" means your unmarried child:

- under the age of 18; or
- 18 years of age or older and enrolled in high school; or
- 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.
- In the case of Accidental Death only, 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" means 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. The dependency of the parent will be considered terminated if he or she remarries after the death of the member.

Please also see the "PFRS Death Benefits" chart located on page 27.

Active Member

Upon your death as an active member, on or after January 18, 2000 your surviving spouse is eligible to receive a pension benefit equal to 50 percent of your Final Compensation.

If there is no surviving spouse, the following benefit is payable to the minor 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.

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

- 40 percent of Final Compensation to two parents
- 25 percent of Final Compensation to one parent

If there is no surviving spouse, children, or parents, the employee's contributions to the retirement system are paid to the named beneficiary.

Retired Member

For those who retired January 1, 1968 and after, upon your death as a retired member, your surviving spouse is eligible to receive a pension benefit equal to 50 percent of your Final Compensation, plus 15 percent of your Final Compensation for one child or 25 percent of your Final Compensation for two or more children.

If there is no surviving spouse, the following benefit is payable to the minor 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

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 Accidental Death benefits. 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 the case of Accidental Death, your surviving spouse is paid an annual pension of 70 percent of your Final Compensation. This benefit is a lifetime benefit to your surviving spouse, unless he/she subsequently remarries.

If there is no eligible surviving spouse or if the surviving spouse dies or remarries, a pension is paid to your eligible children in these amounts:

- 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.

If there is no eligible surviving spouse or children, a pension will be paid to your eligible 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.

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

WITHDRAWAL FROM THE RETIREMENT SYSTEM

When Membership Ends

Your active membership in the PFRS ends if:

- you retire or die;
- you end your employment and withdraw your contributions from the system; or
- you have not been contributing to the system for two years and have less than 10 years of service credit. Two years is the limit for inactive membership before an account is expired. (See "Exceptions" on this page.)

If your membership has been inactive for two years and you have not filed for and received a withdrawal of contributions, the Division of Pensions and Benefits

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) to remind you that your money is still in the system. You should then file an Application for Withdrawal for the return of your contributions.

Should you return to covered employment before the 2-year period ends, you have the option of intrafund or interfund transfer if you otherwise qualify (see page 3). 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. Members returning to the system after withdrawal of a former account may purchase service credit from a former membership.

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

- you are granted an official leave of absence beyond the two-year period;
- you are laid off; or
- your position is abolished.

If your leave of absence extends beyond two years or you lose your job through no fault of your own (laid off or position abolished), your inactive membership can be extended up to 5 years. 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 for this extension to be granted. This only gives you the right to start contributing to the retirement system and add to the service credit of the existing membership should you again obtain public employment (police members of the PFRS see "Age Requirements — Prior Police Service" on page 2); it gives you no other right to benefits.

EXAMPLE: If you were age 50 with 5 years of membership credit at the time of layoff, your account could remain inactive until you reach age 55; however, you would not qualify for service 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 your contributions to the pension fund, less any outstanding loan or other obligations. You may withdraw only the money you have contributed and no partial withdrawal is 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. To withdraw, you

must file a properly completed and notarized *Application for Withdrawal*, which is available from your employer, or the Division of Pensions and Benefits.

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 federal income tax withholding. In addition, if you receive payment before you reach age 59½ and you do not roll it over, 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 Internal Revenue Service at 1-800-829-1040.

You may call the Division of Pensions and Benefits Automated Information System at (609) 777-1777 for general information concerning withdrawals or information pertaining to your particular withdrawal claim. If you are age 55 or older or have at least 10 years of service credit when you file for withdrawal, you must waive any rights you have to a retirement or death benefit. This written waiver is part of a letter, which states the amount of retirement, and death benefits to which you are entitled if you do not withdraw.

No withdrawal application can be processed until all the necessary information has been received from you and your former employer.

WORKERS' COMPENSATION WITHOUT PAY

As long as you are receiving **temporary** Workers' Compensation benefits, you retain the same status as an active member. Unless the employer/employee relationship is severed, you cannot withdraw from the PFRS while receiving temporary Workers' Compensation, have a claim pending, or are involved in litigation regarding Workers' Compensation. Your employer is obligated by statute to pay your pension contribution based on the salary you were receiving immediately before the start of your receiving temporary Workers' Compensation benefits. Your employer is not obligated, however, to make voluntary contributions, such as, loans, and purchase arrears payments.

The voluntary resignation or retirement of an employee receiving temporary Workers' Compensation frees the employer from pension contributions on behalf of the member.

When an employee's award of **permanent** disability benefits under Workers' Compensation begins, the employer is responsible to continue paying the employee's pension contribution if:

- The employee separates from employment because of the employee's inability to perform the functions of his/her former position or through forced resignation; and
- The employee does not have 4 years of service credit needed to apply for an Ordinary Disability retirement. The employer's obligation to pay the employee's pension contribution ends when the employee reaches the years of service credit in the retirement system needed to apply for an Ordinary Disability retirement.

APPEALS

If you wish to appeal any administrative decision of the Division of Pensions and Benefits, address your appeal to:

Secretary to the Board of Trustees,
Police and Firemen's Retirement System,
New Jersey Division of Pensions and Benefits,
PO Box 295
Trenton, New Jersey 08625-0295

If you disagree with the determination of the Board of Trustees, you may request a formal hearing before an Administrative Law judge within the Office of Administrative Law, by sending a written statement to the Board of Trustees 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 the Board of Trustees approves your request for a formal administrative hearing, the Board will submit the matter to the Office of Administrative Law for hearing. Upon completion of this hearing, the Administrative Law judge will submit to the Board an initial decision that the Board may adopt, reject, or modify. If the Board rejects or modifies the initial decision, it shall issue detailed findings of fact and conclusions of law which will become the Board's final administrative determination and may then be appealed to the New Jersey Superior Court, Appellate Division.

When the Board of Trustees reviews your request for a hearing it determines whether the matter involves contested facts or is solely a question of law. If the appeal involves solely a question of law, a formal administrative hearing is not likely to be approved. In that case, the Board shall reject your request for an

administrative hearing 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 New Jersey Superior Court, Appellate Division.

Benefits and provisions of the system are subject to change by the legislature, courts, and other officials. While this booklet outlines the benefit and contribution schedules of the Police and Firemen's 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.

PLAN INFORMATION

Name of Plan

The Police and Firemen's Retirement System of New Jersey.

Administration

The Police and Firemen's Retirement System is a defined benefit plan administered by the New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295, (609) 292-7524.

Provisions of Law

The Police and Firemen's Retirement System was established by New Jersey Statutes and can be found in the New Jersey Statutes Annotated, Title 43, Chapter 16A. 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, Chapters 1 and 4 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 may be served on the Director of the Division of Pensions and Benefits, the administrator of the system at the address below.

Employment Rights Not Implied

Membership in the Police and Firemen's Retirement System does not give you the right to be retained in the employ of a participating employer, nor does it give you a right of claim to any benefit you have not accrued under terms of the system.

CONTACTING THE DIVISION OF PENSIONS AND BENEFITS

Telephone Numbers:

- For computerized information about your individual account 24 hours a day, seven days a week, call our Automated Information System at (609) 777-1777. All you need is your Social Security number and a touch-tone phone to hear personalized information about loans, withdrawals, retirement benefits, purchase costs, and your account with

the retirement system.

- To talk with a counselor about your pension or the State Health Benefits Program, call (609) 292-7524 Monday through Friday, between 9 a.m. and 4 p.m. (except State holidays). If you are hearing impaired, call the TDD at (609) 292-7718.
- To speak with a plan representative about the Supplemental Annuity Collective Trust (SACT), call (609) 633-2031, or for the State Employees Deferred Compensation Plan, call (609) 292-3605 Monday through Friday, between 9 a.m. and 4 p.m. (except State holidays). They can answer your questions about the plans and provide enrollment and distribution forms.
- If you have a fax machine and want a form or publication faxed to you, call our Fax on Demand service at: (609) 777-1931, 24 hours a day, seven days a week from a touch-tone phone. To learn the number code of the publication you want, you will need the Fax on Demand catalog, which can be obtained by calling (609) 777-1931. Select the option to go directly to Fax on Demand. When prompted, enter the four-digit fax selection number along with the area code and number of your fax machine. You will be able to choose up to three fax selections per call.
- If you are a retired member who needs to change your mailing address, call (609) 292-MOVE (6683) weekdays between 9 a.m. and 4 p.m. (except State holidays). You can change your address over the telephone.

Mailing Address:

Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295. On all correspondence, be sure to include your membership number or Social Security number.

Counseling Services:

The Division of Pensions and Benefits offers individual counseling services to members of the retirement systems and other benefit programs. No appointments are taken. Counselors are available Monday through Thursday from 8:40 a.m. to 4:00 p.m. and Friday from 9:00 a.m. to 4:00 p.m. The office is located at:

One State Street Square
50 West State Street
Trenton, NJ

Internet and E-mail:

Most publications of the Division of Pensions and Benefits may be found on our Internet homepage at: www.state.nj.us/treasury/pensions or you may e-mail your comments and inquiries to us at: pensions_nj@tre.state.nj.us

DIRECTIONS

DIRECTIONS TO THE DIVISION OF PENSIONS AND BENEFITS

The Division of Pensions and Benefits is located at 50 West State Street (One State Street Square) which is a half-block east of the State House. The directions below will take you to the parking garage next door to the Division of Pensions and Benefits. You must pay to park here.

When leaving the garage, walk to the door next to the elevator and you will be facing the side entrance to One State Street Square. "Sign-in" at the front desk on the first floor and you will be directed to the Division's Office of Client Services.

From Northeast New Jersey via the NJ Turnpike

Take the NJ Turnpike South to Exit 7A. Follow I-195 West until it ends, then follow signs for Route 129. After passing three traffic lights, Route 129 merges with Route 1 North. Take the first exit (Perry Street). At the end of the exit ramp, turn left onto Perry Street. At the 5th traffic light, turn left onto Warren Street. At the second traffic light turn right onto State Street. At the next corner, turn right onto Chancery Lane. One-half block up is a multilevel parking garage on the left. You must pay to park here. See "*When leaving the garage*" above to get to the office.

From Northeast New Jersey via Route 1

Take Route 1 South toward Trenton. Just north of Trenton Route 1 splits into 2 roads. Stay to the left (do not use Route 1 Alternate). From Route 1 take the Perry Street exit. At the end of the exit ramp, turn left onto Perry Street. At the fourth traffic light after turning onto Perry Street turn left onto Warren Street. At the second light, turn right onto West State Street. At the next corner turn right onto Chancery Lane. One-half block up is a multilevel parking garage on

the left. You must pay to park here. See "*When leaving the garage*" to get to the office.

From Northwest New Jersey

Take Route 31 South to Interstate 95 South to Exit 1 (Route 29). Follow Route 29 South for 5 miles to the Calhoun Street exit. At the first traffic light, turn right on to West State Street. After passing one traffic light, turn left at the next corner, onto Chancery Lane. One-half block up is a multilevel parking garage on the left. You must pay to park here. See "*When leaving the garage*" to get to the office.

From Southern New Jersey

If using the NJ Turnpike, take exit 7A and follow the directions from Northeast New Jersey via the NJ Turnpike.

If using Interstate 295 North, take exit 60 to Route 129 and follow the directions for using Route 206 North (below) beginning with Route 129.

If using Route 206 North, about 4 miles before reaching center-city Trenton take the Interstate 295 exit but, once on the interstate highway, follow the signs for Route 129, not Interstate 295. After passing three traffic lights, Route 129 merges with Route 1 North. Take the first exit (Perry Street). At the end of the exit ramp, turn left onto Perry Street. At the 5th traffic light, turn left onto Warren Street. At the second traffic light turn right onto West State Street. At the next corner, turn right onto Chancery Lane. One-half block up is a multilevel parking garage on the left. You must pay to park here. See "*When leaving the garage*" to get to the office.

From the New Jersey Shore

Take Interstate 195 West, then follow the directions from Northeast New Jersey via the NJ Turnpike.

PFRS Retirement Benefits Effective 1/18/2000

Type of Retirement	Eligibility Requirements	Benefit Calculation
SERVICE	Age 55 or older with no minimum years of service OR; 20-24 years of service at any age (if enrolled in PFRS on 1/18/2000).	Less than 20 years of service - 2% of FC for each year of service. 20-24 years of service - 50% of FC. 40 years of service - 70% of FC plus 1% of FC for each year over 40. At age 65 mandatory retirement with 20 or more years of service - 50% of FC plus 3% of FC for each year of service over 20 up to 25.
SPECIAL	25 or more years of service.	65% of FC plus 1% of FC for each year of service over 25 up to 30 years (maximum 70%).
DEFERRED	At least 10 years and less than 20 years of service and under age 55. Benefits start 1 st of month following 55 th birthday.	2% of FC for each year of service.
ORDINARY DISABILITY	Member in service at the time of the filing of the application with 4 or more years of service and found to be totally and permanently disabled.	40% of FC.
ORDINARY DISABILITY (INVOLUNTARY)	Member in service at the time of the filing of the application and found to be totally and permanently disabled plus the employer must file the application on behalf of a member who has over 20 years up to 25 years of service.	50% of FC + 3% of FC for years of service over 20 up to 25 (maximum 65%).
ACCIDENTAL DISABILITY	Member in service at the time of the filing of the application who is found to be totally and permanently disabled as a result of a traumatic event occurring during and as a result of his regular or assigned duties. Application must be filed within 5 years of the traumatic event.	2/3 of salary at the time of the traumatic event or at the time of retirement, whichever is higher.

FC = Final compensation means the base salary in the 12 months immediately preceding retirement.

PFRS Death Benefits Effective 1/18/2000

Type of Death	Eligibility Requirements	Benefit Calculation
ACTIVE DEATH	Active membership with death occurring on or after 1/18/2000.	<p>3½ times FC life insurance to named beneficiary. In addition, a pension is paid as follows:</p> <p style="padding-left: 40px;">50% of FC to widow/widower</p> <p>If there is no widow/widower, pension is paid as follows:</p> <p style="padding-left: 40px;">20% of FC to one child 35% of FC to two children 50% of FC to three or more children</p> <p>If there is no widow/widower or children of the member, a pension is paid as follows:</p> <p style="padding-left: 40px;">25% of FC to one parent 40% of FC to two parents</p> <p>If there is no widow/widower, children, or parents of the member, the employee contributions are returned to the beneficiary.</p>
RETIREE DEATH	Retired 1/1/68 or after. Active member dies as a result of an accident during the performance of his regular or assigned duties.	<p>½ times FC life insurance to named beneficiary. In addition, a pension is paid as follows:</p> <p style="padding-left: 40px;">50% of FC to widow/widower plus 15% of FC to one eligible child or 25% of FC to two or more children.</p> <p>If there is no widow/widower, a pension is paid as follows:</p> <p style="padding-left: 40px;">20% FC to one child 35% FC to two children 50% FC to three or more children</p>
ACCIDENTAL DEATH		<p>3½ times FC life insurance to named beneficiary. In addition, a pension is paid as follows:</p> <p style="padding-left: 40px;">70% of FC to widow/widower</p> <p>If there is no widow/widower, pension is paid as follows:</p> <p style="padding-left: 40px;">20% of FC to one child 35% of FC to two children 50% of FC to three or more children</p> <p>If there is no widow/widower or children of the member, a pension is paid as follows:</p> <p style="padding-left: 40px;">25% of FC to one parent 40% of FC to two parents</p> <p>If there is no widow/widower, children or parents of the member, the employee contributions are returned to the beneficiary.</p>

FC=Final Compensation means the base salary in the 12 months preceding the member's death or retirement.

Widow means the woman to whom a member or retiree was married on the date of his death and who has not remarried.

Widower means the man to whom a member or retiree was married on the date of her death and who has not remarried.

Child means a deceased member's or retiree's unmarried child (a) under age 18 or (b) 18 years of age or older and enrolled in high school or (c) of any age who, at the time of the member's or retiree's death, is disabled because of mental retardation or physical incapacity. In the case of Accidental Death only, 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 means the parent of a member who was receiving at least half of his/her support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death. The dependency of the parent will be considered terminated if they remarry subsequent to the death of the member.

NOTES



POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS) MEMBER HANDBOOK

January 2003

The following additions and/or deletions occurred after the printing of this member handbook. Additions are shown thus (member); deletions are shown thus (~~member~~):

Page 2

There are certain exceptions to the maximum age requirement:

- Military Service — Once you have met the definition of a veteran for pension purposes, certain periods of military service may be used on a one-for-one basis to “reduce” one’s age for entry. Such military service must have occurred during the:
 - Lebanon Conflict, September 26, 1982 to December 1, 1987
 - Grenada Conflict, October 23, 1983 to November 21, 1983
 - Panama Peacekeeping Mission, December 20, 1989 to January 31, 1990
 - Operation Desert Shield/Storm, August 2, 1990 to the present
 - Operation Restore Hope in Somalia, December 5, 1992 to March 31, 1994
 - Operations Joint Endeavor/Joint Guard - Republic of Bosnia and Herzegovina, November 20, 1995 to present

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Contribution Rate

The contribution rate in the PFRS is 8.5 percent of base salary.

Your contribution rate is applied to your base salary to determine your pension deductions. ~~Base salary does not include overtime, bonuses, lump-sum payments for longevity, holiday pay, vacation, compensatory time, or sick leave, or other money you receive as an adjustment before retirement. Your pension contributions are deducted from your salary each payday and reported to the PFRS by your employer.~~

~~Employers may include longevity pay, holiday pay, and educational pay in their members' pensionable salaries only if these kinds of payments are included for all employees from the first day of eligibility for the payments.~~

Base salary means the annual compensation of the member in accordance with established salary policies of the member's employer for all employees in the same position, or all employees covered by the same collective bargaining agreement. Base salary is paid in regular, periodic installments in accordance with the payroll cycle of the employer.

Extra compensation is not included in base salary. Extra compensation means individual salary adjustments granted primarily in anticipation of retirement or as additional compensation for performing temporary duties beyond the regular workday. Extra compensation includes but is not limited to overtime, bonuses, lump sum longevity, vacation pay, holiday pay, and compensation not included in normal routine paychecks.

Since the PFRS is a "qualified" pension plan under the provisions of the Internal Revenue Code, Section 401(a)(17), the current federal ceiling on the pensionable salary (~~\$170,000 in 2000~~) (\$200,000 in 2002 and 2003), applies to base salaries of PFRS members.

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Layoff — Members of the PFRS who were laid off in good standing (i.e., not for cause, misconduct, or delinquency) ~~from employment as police officers~~ and subsequently rehired in the same or a similar PFRS position ~~PFRS police service positions~~ may purchase up to three years of service for the time between layoff and rehire.

(NOTE: At the time this handbook was going to press, legislation was under consideration to extend this same provision to fire fighters.)

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LOANS

Active contributing members are eligible to borrow from their account twice per calendar year, up to a total of one-half of their posted pension contributions or up to a maximum loan balance of \$50,000, whichever is less.

Pages 7 and 8

- **Loan Amount** – Loans are made in multiples of \$10. The minimum amount you may borrow is \$50. The maximum you may borrow is one-half of the contributions you have made that are posted to your account or up to a maximum loan balance of \$50,000, whichever is less. You may learn the amount you may borrow by calling the Automated Information System at (609) 777-1777.
- **Loan Repayment** – The minimum deduction toward the repayment of a loan is equal to the normal pension contribution rate of 8.5 percent of your salary at the time you apply for the loan. The maximum deduction toward the repayment of your loan is 25 percent of your base salary. You may learn the deduction information toward the repayment of a loan by calling the Automated Information System at (609) 777-1777. The minimum loan repayment amount will be the same whether you borrow \$500 or \$5,000; however, the repayment of a larger loan will continue for a longer period than for a smaller loan. If you are out of work without pay after loan payments are set up, no loan payments can be made until you return to work and interest will continue to accrue. The maximum repayment period for a loan is five years.

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- **For Loans Made Prior to January 1, 2002** — If you are out of work without pay after loan payments are set up, no loan payments will be made until you return to work, and interest will continue to accrue. Upon your return to work, your employer will recertify your loan payment schedule to comply with current IRS requirements, detailed below.
- **For Loans Made After January 1, 2002** — See “Internal Revenue Service Requirements” detailed below.

Members may borrow regardless of age. If you retire before repaying the outstanding balance of your loan, your loan payments will be carried into retirement. That is, your pension allowance will be reduced by the same monthly amount you were paying towards your loan just prior to retirement. You may also repay your entire 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 being paid to your beneficiaries. If you terminate employment and withdraw your contributions before repaying your loan, all of your contributions less the loan balance will be returned to you.

The Automated Information System at (609) 777-1777 gives you complete access to information you may need about loans. It will tell you if you are eligible to borrow, how much you can borrow, and when your check will be sent if you have filed for a loan. It will allow you to model different loan and repayment amounts before you file for a loan. It will also provide you the balance on an existing loan.

Internal Revenue Service (IRS) Requirements

Internal Revenue Code section 72(p) requires that loan balances cannot exceed \$50,000 and must be repaid within five years. The regulations also require members to make timely payments toward outstanding loan balances.

While it is the responsibility of your employer 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. Failure to repay a loan as scheduled (either through payroll deductions, through monthly billing, or in a lump sum) may result in the loan being declared in default. If a loan is in default for three or more months (one year if on an official leave of absence), and no alternative payment schedule is established, the unpaid loan balance will be declared a taxable or “deemed distribution” and will be reported to the IRS. For the tax year in which a default occurs, the Division of Pensions and Benefits will send you a *Form 1099-R* for tax filing purposes in January of the following year. You will be required to include the portion of the loan representing before-tax contribution as income on your federal return. In addition, if you are under age 59½, 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 as no withholding will be deducted from your account by the Division.

If you resume your loan repayments after the default, the payments received will be posted to your account as already-taxed contributions that will increase the non-taxable portion of your pension at retirement. A deemed distribution cannot be cancelled by resuming your

loan payments or repaying the loan in full prior to the end of the tax year in which the default occurs. Please note that unlike a normal pension distribution, a loan treated as a distribution cannot be rolled over to an IRA or another qualified retirement plan. Members who take a loan and subsequently fail to remit loan payments may also be subject to additional IRS regulations.

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State Health Benefits Coverage — Returning to public employment in New Jersey may affect your eligibility to continue coverage under the State Health Benefit Program (SHBP). If your retirement allowance is canceled because you return to work in a position covered by the PFRS, your retired SHBP coverage is also canceled until you retire again. Returning to a position not covered by the PFRS will not affect your eligibility for retired group coverage provided by your former employer under the SHBP. Maintaining SHBP retired group coverage also does not affect your eligibility for active group health coverage associated with your new employment.

If you have SHBP coverage under the provisions of Chapter 330, P.L. 1997, that coverage will end if you have health benefits coverage through your new employment. The Chapter 330 retired coverage may be reinstated when the coverage through new employment ends.

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“Child” means your unmarried child:

- under the age of 18 ~~or older~~; or
- 18 years of age or older and enrolled in high school; or
- 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.
- In the case of Accidental Death only, 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.

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Counseling Services:

The Division of Pensions and Benefits offers individual counseling services to members of the retirement systems and other benefit programs. No appointments are taken. Counselors are available Monday through Friday from 7:40 a.m. to 4:00 p.m. ~~Thursday from 8:40 a.m. to 4:00 p.m. and Friday from 9:00 a.m. to 4:00 p.m.~~ The office is located at:

One State Street Square
50 West State Street, 1st Floor
Trenton, NJ

Internet and E-mail:

Most publications of the Division of Pensions and Benefits may be found on our Internet home page at: www.state.nj.us/treasury/pensions or you may e-mail your comments and inquiries to us at: pensions_nj@tre.state.nj.us pensions.nj@treas.state.nj.us

PFRS Retirement Benefits Effective 1/18/2000

Type of Retirement	Eligibility Requirements	Benefit Calculation
SERVICE	Age 55 or older with no minimum years of service OR; 20-24 years of service at any age (if enrolled in PFRS on 1/18/2000).	Less than 20 years of service - 2% of FC for each year of service. 20-24 years of service - 50% of FC. 40 years of service - 70% of FC plus 1% of FC for each year over 40. At age 65 mandatory retirement with 20 or more years of service - 50% of FC plus 3% of FC for each year of service over 20 up to 25.
SPECIAL	25 or more years of service.	65% of FC plus 1% of FC for each year of service over 25 up to 30 years (maximum 70%).
DEFERRED	At least 10 years and less than 20 years of service and under age 55. Benefits start 1 st of month following 55 th birthday.	2% of FC for each year of service.
ORDINARY DISABILITY	Member in service at the time of the filing of the application with 4 or more years of <u>NJ</u> * service and found to be totally and permanently disabled.	40% of FC.
ORDINARY DISABILITY (INVOLUNTARY)	Member in service at the time of the filing of the application and found to be totally and permanently disabled plus the employer must file the application on behalf of a member who has over 20 years up to 25 years of service.	50% of FC + 3% of FC for years of service over 20 up to 25 (maximum 65%).
ACCIDENTAL DISABILITY	Member in service at the time of the filing of the application who is found to be totally and permanently disabled as a result of a traumatic event occurring during and as a result of his regular or assigned duties. Application must be filed within 5 years of the traumatic event.	2/3 of salary at the time of the traumatic event or at the time of retirement, whichever is higher.
<p>FC = Final Compensation means the base salary in the 12 months immediately preceding retirement.</p> <p>*For Ordinary Disability, service must be New Jersey service (out-of-state, U.S. government, and military purchases cannot be used to attain the 4 years).</p>		

PFRS Death Benefits Effective 1/18/2000

Type of Death	Eligibility Requirements	Benefit Calculation
ACTIVE DEATH	Active membership with death occurring on or after 1/18/2000.	<p><u>Life insurance benefit is</u> 3½ times FC life insurance to named beneficiary. In addition, a pension is paid as follows:</p> <ul style="list-style-type: none"> 50% of FC to widow/widower <p>If there is no widow/widower, pension is paid as follows:</p> <ul style="list-style-type: none"> 20% of FC to one child 50% of FC to three or more children <p>If there is no widow/widower or children of the member, a pension is paid as follows:</p> <ul style="list-style-type: none"> 25% of FC to one parent 40% of FC to two parents <p>If there is no widow/widower, children, or parents of the member, the employee contributions are returned to the beneficiary.</p>
RETIREE DEATH	Retired 1/1/68 or after. Active member dies as a result of an accident during the performance of his regular or assigned duties.	<p><u>Life insurance benefit is</u> ½ times FC life insurance to named beneficiary. In addition, a pension is paid as follows:</p> <ul style="list-style-type: none"> 50% of FC to widow/widower plus 25% of FC to two or more children. 15% of FC to one eligible child or 25% of FC to two or more children. <p>If there is no widow/widower, a pension is paid as follows:</p> <ul style="list-style-type: none"> 20% FC to one child 35% FC to two children 50% FC to three or more children
ACCIDENTAL DEATH	<u>Active member dies as a result of an accident during the performance of his regular or assigned duties.</u>	<p><u>Life insurance benefit is</u> 3½ times FC life insurance to named beneficiary. In addition, a pension is paid as follows:</p> <ul style="list-style-type: none"> 70% of FC to widow/widower <p>If there is no widow/widower, pension is paid as follows:</p> <ul style="list-style-type: none"> 20% of FC to one child 35% of FC to two children 50% of FC to three or more children <p>If there is no widow/widower or children of the member, a pension is paid as follows:</p> <ul style="list-style-type: none"> 25% of FC to one parent 40% of FC to two parents <p>If there is no widow/widower, children or parents of the member, the employee contributions are returned to the beneficiary.</p>

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Widower means the man to whom a member or retiree was married on the date of her death and who has not remarried.

Child means a deceased member's or retiree's unmarried child (a) under age 18 or (b) 18 years of age or older and enrolled in high school or (c) of any age who, at the time of the member's or retiree's death, is disabled because of mental retardation or physical incapacity. In the case of Accidental Death only, 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 means the parent of a member who was receiving at least half of his/her support from the member in the 12-month period immediately preceding the member's death or the accident which was the direct cause of the member's death. The dependency of the parent will be considered terminated if they remarry subsequent to the death of the member.