

Benefits at Termination of Employment Through Resignation, Dismissal, or Layoff

Public Employees' Retirement System • Teachers' Pension and Annuity Fund • Police and Firemen's Retirement System

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

PENSION ACCOUNT

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

- retire now;
- file for a Deferred Retirement;
- leave your contributions in the retirement system; or
- withdraw your pension contributions.

Your eligibility to retire is based upon your membership tier* at the time you enrolled in the pension system. To retire, you must be considered "retirement age" with no minimum amount of service credit, or have a qualifying amount of service credit with no minimum age requirement. Your retirement allowance is based on the formula for the type of retirement for which you qualify.

If you are vested with 10 years of service credit in New Jersey, you may qualify for an Ordinary Disability Retirement if you are leaving work due to poor health. You may also elect a Deferred Retirement; which, based on your membership tier, will begin the first of the month after reaching "retirement age."

If you do not qualify for immediate or Deferred Retirement, you may leave your contributions in the pension system. Most accounts may remain inactive for a two-year period. However, if you provide written proof to the Division of Pensions & Benefits that you lost your job through no fault of your own (layoff, abolishment, or reduction in force), you may request to extend the period of inactivity for up to five years in the Police and Firemen's Retirement System (PFRS), or up to 10 years in the Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF). Send your written notification, along with supporting documentation, to: Withdrawal Section Supervisor, NJ Division of Pensions & Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

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

**Please refer to Fact Sheet #4, Applying for Retirement (PERS and TPAF) or Fact Sheet #19, Applying for Retirement (PFRS) for information regarding normal retirement age for the Tier in which you are enrolled.*

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

HEALTH BENEFITS

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

If you are *either currently in or eligible for* the State Health Benefits Program (SHBP) or School Employees' Health Benefits Program (SEHBP) and file for retirement, you will be sent a letter offering continuation of medical and dental coverage under the retiree group (this does **NOT** include a Deferred Retirement, unless you are a TPAF member or a PERS member employed by a board of education or county college with 25 years or more of service credit in the pension plan). If you are not eligible for the SHBP or SEHBP, contact your benefits administrator regarding health benefits coverage at retirement.

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

GROUP LIFE INSURANCE

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

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

DEFERRED COMPENSATION

If you are enrolled in the New Jersey State Employees' Deferred Compensation Plan and terminate employment, contact Prudential at 1-866-NJSEDCP (1-866-657-3327) for more information.

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST (SACT)

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

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

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OTHER PENSION ACCOUNT CONSIDERATIONS**Loans**

If you terminate employment and **retire** with an outstanding loan balance, you may continue your monthly loan repayment schedule into retirement until the loan balance, **plus interest**, has been repaid.

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

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

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

Purchase

If you retire with an outstanding balance on your purchase of service credit, you have two options from which to choose. First, you could remit a check for the balance of the purchase and receive the credit for the purchased time. Second, you can receive prorated retirement credit for the amount of time purchased prior to termination.

If you are paying for a purchase through payroll deductions and you terminate employment, do not withdraw your contributions to the pension plan, then return to a position with another employer covered by the same pension plan within two years, the new employer will be sent a certification to restart deductions for the purchase. If you return to the same employer, deductions should automatically resume.

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

ADDITIONAL INFORMATION AVAILABLE

If you have questions about any of the topics described above, contact your benefits administrator where you work or call the Division of Pensions & Benefits' Office of Client Services at (609) 292-7524.

The Fact Sheets listed below are available upon request from our Office of Client Services or view them on our Web site at: www.nj.gov/treasury/pensions/publist.shtml

- Fact Sheet #4, *Applying For Retirement (PERS & TPAF)*
- Fact Sheet #5, *Pension Options (PERS & TPAF)*
- Fact Sheet #11, *Enrolling in Health Benefits Coverage When You Retire*
- Fact Sheet #13, *Conversion of Group Life Insurance (PERS, TPAF & PFRS)*

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- Fact Sheet #14, *Deferred Retirement (PERS, TPAF & PFRS)*
- Fact Sheet #15, *Disability Retirement Benefits (PERS & TPAF)*
- Fact Sheet #19, *Applying for Retirement (PFRS)*
- Fact Sheet #27, *The Taxability and Mandatory Withholding of Income Tax from Your Pension Distribution*
- Fact Sheet #30, *The Continuation of New Jersey State Health Benefits Group Health Insurance Under COBRA*

This fact sheet has been produced and distributed by:

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