RETIREMENT PLANNING

Information for Members of the New Jersey

PUBLIC EMPLOYEES' RETIREMENT SYSTEM and the TEACHERS' PENSION AND ANNUITY FUND

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MBOS REGISTRATION INFORMATION

As a member of a New Jersey State-administered retirement system, you may access the **Member Benefits Online System** (MBOS).

MBOS is a set of Internet based applications that allow registered employees and retirees access to:

- Member Account Information;
- Pension Loans — estimates and online Loan Application;
- Beneficiary Designation;
- Online Purchase Application;
- Retirement Estimates and an online Retirement Application;
- Health Benefits account information (if applicable).

FOR RETIREES

- Retirement Check Information and Check history;
- Online Direct Deposit Application;
- Federal and State Income Tax Withholding.

Information marked with this icon is available on MBOS.

Before you can begin using the Member Benefits Online System (MBOS) you must be registered with both MBOS and the *MyNewJersey* Web site. Registration is free and you can register for MBOS from any Internet connection.

To see detailed instructions about
MBOS registration, go to:

www.state.nj.us/treasury/pensions/mbosregister.htm

RETIREMENT CONSIDERATIONS

You might have some idea about how you would like to spend your retirement. You may want to travel or go back to school. You may have a hobby that will occupy your time. You may have plans to embark or a second career or start your own business. Or perhaps you just plan to relax and enjoy the fruits of your labors. No matter what your goal, it will take money to attain it. Many retirees, however, do not fully comprehend how much of their income they need to replace when they retire. Because of this fact, retirees can find themselves working longer than they had planned or not having the retirement lifestyle they had envisioned while they were working.

While the Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) are excellent pension plans and provide a lifetime benefit at retirement, they will probably not provide you with all of the income you need for a comfortable retirement. The truth is that most retirees from the PERS and TPAF will need to replace about 80 percent of their final year's gross income. In some cases, they will need even more than that. Where will that additional income come from?

Social Security

Social Security was never intended to be a primary source of income. It is crucial that you think of Social Security as supplemental retirement income. It is also important that you read your annual *Social Security Statement* and check it for accuracy. Your benefit will be based upon your highest 35 years of earnings. Your earnings history is listed on your annual statement. For more information about Social Security please visit the Social Security Internet site at: ***www.socialsecurity.gov*** or call 1-800-772-1213.

Supplemental Retirement Savings Plans

Most members of the PERS and TPAF have the opportunity to participate in employer-sponsored supplemental retirement savings plans. These plans come in several varieties depending on where you work, but all of them have the same goal — to help people save for a financially secure retirement.

Deferred Compensation 457 Plans allow members to make tax-deferred contributions directly from their paychecks to a variety of investment options. A member can contribute as little as 1 percent of their pay (up to $15,500.00 for 2008). Members over age 50 can contribute an additional $5,000.00. There is also a "catch-up provision" that permits members to contribute even more as they approach retirement.

Annuity Savings 403b Plans are available to employees and are similar to 457 plans. Special "tax-sheltered" provisions are available to employees of boards or education or state/county colleges and universities.

- State Employees can visit the State Employees Deferred Compensation Plan Web site at: ***www.prudential.com/njsedcp*** or call 1-866-NJSEDCP (1-866-657-3327); or the Supplemental Annuity Collective Trust (SACT) Plan's Web site at: ***www.state.nj.us/treasury/pensions/fact35.htm*** or call (609) 633-2031.
- Board of Education, County and Municipal Employees can visit the Supplemental Annuity Collective Trust (SACT) Plan's Web site at: ***www.state.nj.us/treasury/pensions/fact35.htm*** or call: (609) 633-2031; and should also contact their employer's Benefits Office to find out what additional supplemental savings plans are available.

Defined Contribution Retirement Program – ERS or TPAF members enrolled on or after July 1, 2007, with salary that exceeds maximum compensation limits, may be members of the Defined Contribution Retirement Program (DCRP).

Elected and appointed officials are also eligible for DCRP enrollment. Members can contact the DCRP at: 1-866-NJDCRP1 (1-866-653-2771) or visit: ***www.prudential.com/njdcrp***

Other supplemental investment options include IRA accounts, life insurance annuities; and stocks, bonds, and mutual funds funded with after-tax savings.

Before you enroll and invest your money in any investment plan, be sure you understand the potential risks and plan details.

Expenses in Retirement

After you retire, some of your expenses may be lower or go away altogether. These include:

- Pension Contributions
- FICA Taxes
- Contributions to Supplemental Savings
- Contributory Life Insurance premiums
- Union Dues
- Unemployment or Disability Insurance premiums
- State Income taxes (depending on where you choose to live in retirement)
- Work-related expenses

It is important to understand how your expenses will change as you prepare for retirement. You can do this on your own or with the help of a professional financial planner. Here is a great online resource for calculating expenses: ***www.choosetosave.org***

Purchase of Service Credit

Since your retirement allowance is based, in part, on the amount of service credit posted to your retirement system account, purchasing service credit normally increases the amount of your retirement allowance. In some cases, a purchase allows an employee to attain 25 years of service and qualify for an Early Retirement.

Types of Service Eligible for Purchase

Temporary Service

Members are eligible to purchase service credit for temporary, provisional, certain intermittent, or substitute employment if the employment was continuous and immediately preceded a permanent or regular appointment.

Leave of Absence without Pay

Members are eligible to purchase service credit for official leaves of absence without pay. (Up to a maximum of 2 years for personal illness; maximum of 3 months for personal reasons.)

- Three months is the maximum period of purchase for maternity leave unless certified by a physician that a disability has occurred as a result of the pregnancy.
- Child-care leave is eligible for purchase as a leave for personal reasons.

Former Membership Service

Members are eligible to purchase service credited under a previous membership in any of the defined benefit retirement systems administered by the New Jersey Division of Pensions and Benefits — except the Alternate Benefit Program (ABP).

Out-of-State Service

Members are eligible to purchase up to 10 years of public employment rendered with any state, county, municipality, school district, or public agency outside the State of New Jersey but within the United States (including U.S. territories or possessions) provided the service rendered would have been eligible for membership in a State of New Jersey-administered defined benefit 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 retirement system. Leaves of absence from out-of-state employment are not eligible for purchase.

Note: *Purchases of Out-of-State Service requested after November 1, 2008, cannot be used by members of the PERS or TPAF to qualify for employer-paid health care benefits in retirement.*

U.S. Government Service (full cost)

PERS and TPAF members are eligible to purchase up to 10 years of credit for civilian service rendered with the U.S. Government provided the service rendered would have been eligible for membership in a New Jersey State-administered retirement system.

Note: *Purchases of U.S. Government Service requested after November 1, 2008, cannot be used by members of the PERS or TPAF to qualify for employer-paid health care benefits in retirement.*

Military Service Before Enrollment (full cost)

Members are eligible to purchase credit for up to 10 years of active military service rendered prior to enrollment.

Additional information regarding eligible service is available on our Web site at: ***www.state.nj.us/treasury/pensions***

Purchase Cost

The cost of purchasing service credit is based on your nearest age at the time the Division of Pensions and Benefits receives your purchase application and the higher of your current annual salary or highest fiscal year (July 1 to June 30) base salary as a member of the retirement system. For most members, the cost of the purchase will increase with an increase in your age and/or salary.

Members are given several options for payment:

- Lump-sum payment
- Payroll deduction (minimum of ½ of regular pension deduction)
- Rollover from a qualified, tax-deferred savings plan including the State Deferred Compensation Plan
- A combination of the above options

For more information or to calculate the cost of your purchase, see the Purchase of Service Credit resources on our Web site at: ***www.state.nj.us/treasury/pensions/purchase_service.htm***

Purchase Procedures

MBOS An online application for the purchase of service credit is available on MBOS.

Before you can purchase service credit you must submit an *Application to Purchase Service Credit* to the Division of Pensions and Benefits and receive a *Purchase Quotation Letter.*

Once you receive the quotation, the final authorization of the purchase is at your discretion. If you decide to purchase all, or some, of your eligible service you will have ninety days to return the Authorization portion of the purchase quote to the Division.

For more details about the purchase of service credit or to obtain the *Application to Purchase Service Credit*, please see the Purchase of Service Credit resources on our Web site at: ***www.state.nj.us/treasury/pensions/purchase_service.htm***

RETIREMENT BENEFITS

The Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF) are Defined Benefit plans under section 401a of the Internal Revenue Code. These plans are designed to pay a lifetime retirement benefit to eligible members.

Definitions

'Years of Service' means the amount of pension membership service credit you have accumulated in your pension account.

'Salary' means the base salary on which your pension contributions are based. It does not include extra pay for overtime or money given in anticipation of your retirement.

'Final Average Salary' means the average salary for the 36 months (30 months for employees with 10 month contracts) immediately preceding your retirement. If your last three years are not your highest years of salary, your allowance will be calculated using your three highest fiscal years (July - June) of salary. If this is the case, you must indicate it on your retirement application.

Types of Retirement

There are several types of retirement available to PERS and TPAF members.

Service Retirement

This is the type of retirement for which most members qualify. The retirement age is 60 or older and no minimum amount of pension membership service credit is required. The benefit is calculated using the following formula:

Years of Service / 55	X	Final Average Salary	=	Annual Retirement Allowance

For example: A member with 22 years of service credit would receive 22/55 or 40 percent of Final Average Salary. You receive a slightly higher percentage for each additional month of service credited to your account.

Early Retirement

Available to members who have 25 years or more of pension membership service credit before reaching age 60. The benefit is calculated using the Service Retirement formula (above).

- If you were enrolled in the PERS or TPAF *prior to July* 1, 2007, and retire before age 55, your allowance is reduced 1/4 of 1 percent (3 percent per year) for each month under age 55.

  For example: If you retire at age 54, you will receive 97 percent of your full retirement allowance. If you retire between the ages of 55 and 60, there is no reduction.

- If you were enrolled in the PERS or TPAF *on or after* July 1, 2007, and retire before age 60, your allowance is reduced 1/12 of 1 percent (1 percent per year) for each month under age 60 through age 55, and 1/4 of 1 percent (3 percent per year) for each month under age 55.

  For example: If you retire at age 54, you will receive 92 percent of your full retirement allowance. If you retire at age 57 you will receive 97 percent of your full retirement allowance.

Veteran Retirement

Available to qualified military veterans. If you are not already listed as a veteran on the Division of Pensions and Benefits' records, you should submit a copy of your *Form DD214* (military discharge papers) showing both your induction and discharge dates to:

NJ Department of Military and Veterans Affairs
ATTN: DVP-VBB
PO Box 340
Trenton, NJ 08625-0340

Attach a note to the *Form DD214* indicating that you want to obtain veteran status for pension purposes and include your address on the note.

For additional information, see Fact Sheet #17, *Veteran Status*.

Qualified veterans must be in active employment until the effective date of retirement or must have met the requirements for a Veteran Retirement as of their termination date.

Veterans may retire after 25 years of pension membership service credit at age 55 or older **or** after 20 years of service credit at age 60 or older. The annual benefit is equal to 54.5 percent of the highest 12 consecutive months of base salary upon which pension contributions were based.

Veterans with 35 or more years of pension membership service credit at age 55 or older are entitled to an annual allowance based on the member's highest 12 consecutive months of base salary, as shown in the following formula:

Years of Service / 55	X	Highest 12 Consecutive Months of Salary	=	Annual Retirement Allowance

Veteran members may retire on a Service Retirement if that provides a higher benefit.

Deferred Retirement

Available to members who have at least 10 years of pension membership service credit (but less than 25 years) and who are not yet

60 years of age when they terminate employment. You must file an *Application for Retirement Allowance* before the Deferred Retirement can become effective and payments can begin. After filing and upon reaching age 60, you will begin to receive a retirement allowance based on the Service Retirement formula (above). If you do not file before you attain age 60, your retirement will be effective on the first on the month after the Division receives your properly completed retirement application.

At any time before your Deferred Retirement becomes effective, you may change your mind and apply for withdrawal of your contributions instead. Once you cancel your Deferred Retirement and withdraw your contributions, all rights and privileges of pension membership end.

Disability Retirement

Ordinary and Accidental Disability Retirement benefits are also available.

For more information on the qualifications for a disability retirement see the *PERS* or *TPAF Member Handbook* or Fact Sheet #15, *Disability Retirement Benefits*. These publications are available on our Web site at: ***www.state.nj.us/treasury/pensions***

Retirement Estimates MBOS

As you approach retirement eligibility it is important that you obtain a retirement estimate. The estimate will help you to plan your income in retirement. There are a variety of ways to obtain an estimate.

If you are within two years of retirement eligibility:

- Use the Retirement Estimate Calculator on MBOS.
- Submit a *Request for Retirement Estimate* form.
- Call or visit the Division's Office of Client Services.

If you are more than two years from retirement:

- Use the online Retirement Estimate Calculator on the Pensions and Benefits Web site (this calculator can be used by all members at any stage in their career).

To compare retirement estimates for more than one retirement date:

- Use the Retirement Estimate Calculator on MBOS; or
- Use the online Retirement Estimate Calculator on the Pensions and Benefits Web site.

Pension Options

To plan for a successful retirement, you must be familiar with the retirement payment options available to you from the retirement system. These options determine what will happen to your pension when you pass away.

You should also consider your financial needs in retirement, your health, your beneficiary's health, the need to provide survivor benefits, life insurance benefits available, income from other sources, such as Social Security benefits, investments, life insurance, etc.

This is an extremely important decision that will affect both you and your beneficiary. It should not be taken lightly. The Division of Pensions cannot advise members on which option to select. You may want to consult with a financial professional before making this decision.

When you apply for retirement, you will have to choose one of nine ways to receive your retirement benefits. Please be sure you understand the different payment options available to you because, **once you have made your choice and your retirement becomes due and payable (usually when your first check is issued), you cannot change your payment option.**

For Example:

> To help illustrate how the different pension options work, we have created the following sample *Retirement Estimate* for an imaginary, but typical, retirement system member. **Mary Jones** is a **59** year old public employee with **29 years** and **8 months** of retirement system service credit. Mary's Final Average Salary (average of her last three years) is $58,500.00.

Mary has over 25 years of service credit and qualifies for an Early Retirement benefit. She is also over age 55, so there will not be any reduction of her benefit amount due to age. Mary names her 60 year old spouse, **John Jones**, as her beneficiary.

Sample Options for Member – Mary Jones		
Option	**Member**	**Beneficiary**
Maximum	$2,629.55	$0
Option A	$2,248.26	$2,248.26
Option B	$2,353.44	$1,765.08
Option C	$2,471.77	$1,235.89
Option D	$2,553.29	$638.32
Option 1	$2,558.55	$306,079.09 Reducing Reserve
Option 2	$2,274.56	$2,274.56
Option 3	$2,484.92	$1,242.46
Option 4	Individually calculated based on ages of member and beneficiaries	

The Maximum Option provides the highest retirement benefit payable — in our example, Mary could receive a benefit payment under the Maximum Option of $31,554.55 a year, or **$2,629.55** per month. Upon Mary's death all retirement benefits end.

Joint and Survivor Options

Mary could also select one of eight different options that reduce her benefit in order to provide for a benefit to be paid to a surviving named beneficiary upon her death.

Options A, B, C or D — Under these options, Mary's benefit would increase to the Maximum Option amount if predeceased by the named beneficiary.

Option A provides that upon your death, your beneficiary will receive, for life, the same monthly benefit that you were receiving at the time of your death — in the example, Mary's benefit is **$2,248.26** per month.

Upon her death the named beneficiary would also receive **$2,248.26** per month.

Option B provides that upon your death, your beneficiary will receive, for life, 75% of the monthly benefit that you were receiving at the time of your death — in the example, Mary's benefit is **$2,353.44** per month. Upon her death the named beneficiary would receive **$1,765.08** per month.

> ***Note:*** *For Options A and B, Internal Revenue Service age restrictions apply for a nonspouse beneficiary.*

Option C provides that upon your death, your beneficiary will receive, for life, 50% of the monthly benefit that you were receiving at the time of your death — in the example, Mary's benefit is **$2,471.77** per month. Upon her death the named beneficiary would receive **$1,235.89** per month.

Option D provides that upon your death, your beneficiary will receive, for life, 25% of the monthly benefit that you were receiving at the time of your death — in the example, Mary's benefit is **$2,553.29** per month. Upon her death the named beneficiary would receive **$638.32** per month.

Option 1 sets aside an *Option 1 Reserve* based on the amount expected to be paid to you in retirement benefits over your lifetime. This reserve is reduced each month by the amount of your original monthly retirement benefit. Upon your death, any balance remaining in the reserve is paid to your beneficiary(ies). If you deplete your retirement reserve, you continue to receive your monthly retirement benefit during your lifetime; however, upon your death, no retirement benefits are payable to your beneficiary(ies).

You may name one beneficiary or multiple beneficiaries for Option 1 and you can change your Option 1 beneficiary at any time — in the example, Mary's Option 1 benefit is **$2,558.55** per month and draws against a Reserve amount of **$306,079.09**. In Mary's case, she would collect the full amount of her Reserve after receiving Retirement benefits for 120 months (10 years).

> ***Note:*** *It is important to realize that each individual member's Option 1 Reserve amount will vary and could last for a shorter or longer period of time.*

Options 2, 3 or 4 — Under these options, Mary's benefit would remain at the reduced amount if predeceased by the named beneficiary.

Option 2 provides that upon your death, your beneficiary will receive, for life, the same monthly benefit that you were receiving at the time of your death — in the example, Mary's benefit is **$2,274.56** per month. Upon her death the named beneficiary would also receive $**2,274.56** per month.

Option 3 provides that upon your death, your beneficiary will receive, for life, 50% of the monthly benefit that you were receiving at the time of your death — in the example, Mary's benefit is **$2,484.92** per month. Upon her death the named beneficiary would receive **$1,242.46** per month.

Option 4 provides that upon your death, your beneficiary(ies) will receive whatever monthly benefit you designate on your retirement application. The beneficiary's monthly benefit cannot be greater than your monthly benefit. Option 4 amounts are manually calculated based on the ages of the member and the beneficiary(ies) so no example is provided here. If you are interested in selecting an Option 4 retirement benefit, contact the Division of Pensions and Benefits.

> ***Note:*** *For Options 2 and 4, Internal Revenue Service age restrictions apply for a nonspouse beneficiary.*

For more information see Fact Sheet #5, *Pension Options*, which is available on our Web site at: ***www.state.nj.us/treasury/pensions***

Applying For Retirement

An online application for retirement is available on MBOS.

It is your responsibility to file an *Application for Retirement Allowance*. Your application must be received by the Division of Pensions and Benefits before your retirement date. All retirements are effective the first of a month. **Under no circumstances can a retirement become effective prior to the date the application is received by the Division of Pensions and Benefits.** Four months advance filing is recommended. Processing times vary and cannot

begin until we have received all the necessary information and forms from both you and your employer.

If you have not furnished proof of your age to the Division of Pensions and Benefits, you should attach a photocopy of your birth certificate to your *Application for Retirement Allowance.*

Proof of age for your beneficiary is required if you select Pension Options A, B, C, D, 2, 3, or 4 (see page 9 for details about Pension Options).

If you retire with an outstanding pension loan balance, you must decide how you wish to repay your loan. You may:

- **Pay the loan in its entirety** prior to receiving any benefits; or
- **Continue your monthly loan repayment schedule** into retirement until the loan balance plus interest has been repaid.

Cost-of-Living Adjustment

The Pension Adjustment Program provides a cost-of-living adjustment (COLA) to you and your eligible survivors if you are receiving a monthly retirement allowance from one of the State-administered retirement systems. Your first COLA is paid in your pension allowance the 25th month after your date of retirement. Subsequent COLAS are computed annually and the adjustment is reflected in the February 1st check (which is payment for the month of January). If your named beneficiary is entitled to receive a monthly pension upon your death, the COLA is applied to that benefit based upon your year of retirement.

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 31st immediately preceding the year when the adjustment is payable.

For more information, see Fact Sheet #18, *Cost-of-Living Adjustments,* and the Cost-of-Living Adjustment Chart on our Web site at: ***www.state.nj.us/treasury/pensions***

GROUP LIFE INSURANCE

An important part of membership in a New Jersey State-administered retirement system is the payment of Group Life Insurance death benefits to your named beneficiaries.

Active Employees

Public Employees' Retirement System (PERS) Insurance Coverage While Actively Employed		
Age at death	Member with Noncontributory Insurance Only	Member with Both Contributory and Noncontributory Insurance
Any Age	1.5 x salary	3 x salary

Teachers' Pension and Annuity Fund (TPAF) Insurance Coverage While Actively Employed		
Age at death	Member with Noncontributory Insurance Only	Member with Both Contributory and Noncontributory Insurance
Any Age	1.5 x salary	3.5 x salary

Retired Members

Group Life Insurance in retirement is payable only if the PERS or TPAF member retires with 10 or more years of pension membership credit or retired on a disability retirement.

Public Employees' Retirement System (PERS) Insurance Coverage for Retired Members		
Type of Retirement	Death Before Age 60	Death After Age 60
Service	N/A	3/16 x final salary
Early & Veteran	3/16 x final salary	3/16 x final salary
Deferred	None	3/16 x final salary
Disability	1.5 x final salary	3/16 x final salary
NOTE: The percentages above apply to the total base salary upon which pension contributions were based during the year preceding retirement.		

Teachers' Pension and Annuity Fund (TPAF) Insurance Coverage for Retired Members				
Type of Retirement	Member with Noncontributory Insurance Only		Member with Both Contributory and Noncontributory Insurance	
	Death Before Age 60	Death After Age 60	Death Before Age 60	Death After Age 60
Service	N/A	3/16 x final salary	N/A	7/16 x final salary
Early & Veteran	3/16 x final salary	3/16 x final salary	7/16 x final salary	7/16 x final salary
Deferred	None	3/16 x final salary	None	7/16 x final salary
Disability	1.5 x final salary	3/16 x final salary	1.75 x final salary	7/16 x final salary
NOTE: The percentages above apply to the total base salary upon which pension contributions were based during the year preceding retirement or highest contractual year.				

Designation of Beneficiary MBOS

Upon your death, the Division of Pensions and Benefits will pay death benefits to the last named beneficiary, or beneficiaries, on file with the Division. **It is, therefore, very important to keep your beneficiary information up to date.**

You should consider updating your designation of beneficiary information any time you experience a major life event such as marriage, divorce, birth of a child, etc,. **Members can check or update their beneficiary information online using MBOS** or by submitting a paper *Designation of Beneficiary* form.

CONVERSION OF GROUP LIFE INSURANCE AT RETIREMENT

For most retires who are covered by Group Life Insurance while employed, the insurance coverage is reduced, or in some cases ends, 31 days after your termination of employment or date of retirement whichever is earlier.

You have a guaranteed right to convert any remaining group life insurance coverage to an individual policy with the Prudential Insurance Company when you retire. 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.) Additional provisions and limitations apply to members with a Deferred Retirement or a disability retirement.

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.

To apply for conversion, contact your local Prudential agent or call the Prudential Insurance Company at 1-800-262-1112.

For additional information about conversion, including procedures for obtaining a conversion policy, see Fact Sheet #13, *Conversion of Group Life Insurance,* which is available on our Web site at: ***www.state.nj.us/treasury/pensions***

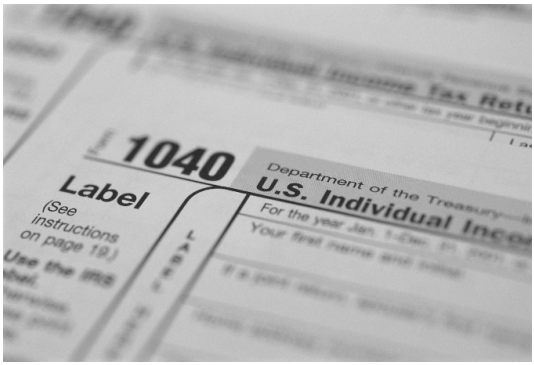
TAXATION OF RETIREMENT BENEFITS

Federal Income Tax

Retirement benefits (except for Accidental Disability retirement and Accidental Death benefits) are subject to federal income tax. However, if you paid tax on any of your contributions to the retirement system, that portion of your monthly benefit representing a return of your previously-taxed contributions is not taxable.

Withholding Federal Income Tax

Each new retiree automatically receives a federal tax withholding *Form W-4P* near his or her date of retirement. The Division of Pensions and Benefits is required by federal law to **automatically withhold federal income tax** from your pension check. The initial withholding is based on a status of "married with three allowances" until you complete a *Form W-4P* to change your federal withholding amount. The *W-4P* allows you to adjust your tax filing status so that we can withhold the proper amount or to elect for no withholding.



Retirees can adjust their federal income tax withholding using the online *Form W-4P* on MBOS.

New Jersey State Income Tax

If you live in New Jersey you will automatically receive a New Jersey State withholding tax *Form NJ W-4P* near your date of retirement. Most retirees are not subject to New Jersey income tax until they recover in pension checks the amount of the contributions which they made to the retirement system while working.

If you are at least 62 or considered disabled by Social Security, you may exclude the following amounts of retirement income from New Jersey income tax for the tax year indicated below:

New Jersey Retirement Income Exclusions			
Tax Year	Married Filing Jointly	Single	Married Filing Separately
2003 and beyond	$20,000	$15,000	$10,000

Note: Beginning with tax year 2005, the "Retirement Income Exclusions" listed above are limited to taxpayers with gross income of $100,000 or less. Please see the instructions for the *Form NJ-1040* or contact the New Jersey Division of Taxation or a professional tax advisor for further information.

Withholding New Jersey State Income Tax

Unlike federal income tax, **withholding for New Jersey income tax is completely voluntary**. No New Jersey income tax will be withheld unless you authorize it by completing a *Form NJ W-4*P. The amount withheld must be at least $10.00 per month and in even dollar amounts (no cents). If you need help deciding whether or not to have New Jersey income tax withheld or how much tax to have withheld, you can contact the New Jersey Division of Taxation at 1-800-323-4400.

Retirees can adjust their New Jersey State income tax withholding using the online *Form NJ W-4P* on MBOS.

If you live outside New Jersey, you are not required to pay New Jersey income tax on the pension you receive from the retirement system. The Division of Pensions and Benefits does not withhold income tax for other states. Check with your home state's tax office to determine if your pension is taxable in your state of residence.

THE DIVISION OF PENSIONS AND BENEFITS CANNOT GIVE TAX ADVICE.

Tax planning is an important part of your retirement plan. You may want to consult a financial or tax professional before setting up tax withholding.

For **Federal Tax Information**, contact the Internal Revenue Service at: ***www.irs.gov*** or 1-800-TAX-1040.

For **NJ State Tax Information**, contact the New Jersey Division of Taxation at: ***www.state.nj.us/treasury/taxation*** or (in New Jersey) 1-800-323-4400.

General information on property, sales, and income tax in other states can be found at the following Internet site: ***www.retirementliving.com*** — click on "Taxes by State."

HEALTH BENEFITS IN RETIREMENT

The Health Benefit Programs

Some retirees will qualify for health coverage under the State Health Benefits Program (SHBP) or the School Employees' Health Benefits Program (SEHBP) upon retirement. The following is a general explanation of retiree health benefits. Complete details on health benefit coverage for retirees can be found on our Web site at: ***www.state.nj.us/treasury/pensions/shbp.htm***

Eligibility

SHBP or SEHBP eligibility in retirement is generally reserved for full-time employees, who were eligible for employer-paid health insurance coverage in the active group of the SHBP or SEHBP until their retirement date.

Certain employees of educational employers (boards of education, universities, colleges, etc.) may also be eligible for SEHBP coverage in retirement if they are eligible for another employer-paid health insurance plan **until their retirement date**.

Eligible retirees may enroll a spouse, civil union partner, or eligible same-sex domestic partner (see definitions), unmarried children under the age of 23, and any disabled dependents over age 23. (You must file an *Affidavit of Disability* for an over age dependent.)

Spouse: This is a member of the opposite sex to whom you are legally married. A photocopy of the *Marriage Certificate* is required for enrollment.

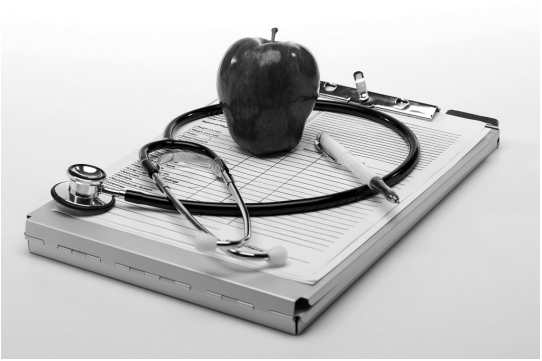
Civil Union Partner: This is a member of the same-sex with whom you have entered a civil union. A photocopy of the New Jersey *Civil Union Certificate* or a valid certification from another jurisdiction that recognizes same-sex civil unions is required for enrollment. The cost of coverage for a civil union partner may be subject to federal tax (see your employer or Fact Sheet #75, *Civil Unions*, for details).

Domestic Partner: This is a member of the same-sex with whom you have entered domestic partnership. For health benefits coverage an eligible same-sex domestic partner is further defined under Chapter 246, P. L. 2003, the Domestic Partnership Act, as the same-sex domestic partner of any State employee, State retiree, or an eligible employee or retiree of a participating local public entity if the local governing body adopts a resolution to provide Chapter 246 health benefits. A photocopy of the New Jersey *Certificate of Domestic Partnership* dated prior to February 19, 2007 or a valid certification from another jurisdiction that recognizes same-sex domestic partners is required for enrollment. The cost of same-sex domestic partner coverage may be subject to federal tax (see your employer or Fact Sheet #71, *Benefits Under the Domestic Partnership Act,* for details).

Eligibility criteria for retired group health benefits is explained in detail in Fact Sheet #11, *Enrolling in Health Benefits Coverage When You Retire*, which is available on our Web site at: ***www.state.nj.us/treasury/pensions/fact11.htm***

Enrollment

Eligible retirees receive an offering package shortly before their retirement date. **For most retirees, this will be the only opportunity to enroll for retired group health benefits coverage.** (Waiver of enrollment due to other group medical coverage is permitted in limited circumstances, see Fact Sheet #11, *Enrolling in Health Benefits Coverage When You Retire*, for details.)



Eligible retirees may enroll in one of the available madical plans. All retired group medical plans include prescription drug coverage.

Eligible retirees **must** complete and submit a *Retired Coverage Enrollment Application* to be enrolled in retired group health benefits.

Once enrolled, retired group members may change their plan after they have been in a selected plan for at least 12 months (or if plan rates change).

Medicare Eligible Enrollees

Retired group SHBP or SEHBP members who are eligible for Medicare, and their Medicare eligible dependents, **must** enroll in **both** Medicare Part A (hospital) and Part B (Medical). Medicare eligibility is generally at age 65 or after 24 months of Social Security Disability.

Retired group prescription drug benefits are equal to or better than those provided under the standard Medicare Part D prescription drug plan. **Most Medicare eligible members and/or their Medicare eligible dependents need not enroll in Medicare Part D**. (Some members who qualify for limited-income subsidy programs may find it beneficial to enroll in Medicare Part D.)

Cost of Retired Group Health Benefits Coverage

Some retirees will have to pay some or all of the cost of SHBP or SEHBP coverage, while others may qualify for employer- or state-paid coverage.

The Division of Pensions and Benefits will deduct the monthly premium or contribution from the retirement allowance of enrolled retirees who must pay for their health benefits coverage. If the retirement allowance is not sufficient to cover the cost of the premium or contribution — or if the member does not receive a retirement allowance from the Division — the member will be billed on a monthly basis.

Detailed information on health benefit costs in retirement is available in Fact Sheet #11, *Enrolling in Health Benefits Coverage When You Retire*, this fact sheet along with current health benefits rate information is available on our Web site at: ***www.state.nj.us/treasury/pensions***

Survivor Coverage

Your spouse's, civil union partner's, or eligible same-sex domestic partner's coverage under your plan will terminate at the end of the month in which you die. However, your spouse, civil union partner, or eligible same-sex domestic partner will be sent a letter and application offering continuation of coverage in the plan of their choice at their own cost.

> ***Note:*** *Some local employers have agreed to pay for the coverage of spouses, civil union partners, or eligible same-sex domestic partners of deceased retirees; check with your employer to see if they provide this benefit. Neither the State nor the TPAF pays for the coverage of spouses, civil union partners, or domestic partners of deceased retirees.*

Retiree Dental Coverage

The **Retiree Dental Expense Plan** is available to retirees eligible for enrollment in the SHBP or SEHBP. The Retiree Dental Expense Plan is self-insured by the State and administered by Aetna Dental.

The Retiree Dental Expense Plan is a fee-for-service plan. This means that covered services provided by any licensed dental provider are reimburseed at a percentage of reasonable and customary charges.

There is a $50 per person annual deductible, and a maximum aggregate deductible of $150 per family, which must be met before reimbursements are made. There is also a maximum annual benefit limit of $1,500 per person.

Enrollment

Enrollment in the Retiree Dental Expense Plan is offered at the same time as enrollment for the medical/prescription portion of retired group SHBP or SEHBP coverage. Information regarding the dental plan is included in the health benefits offering package and retirees enroll using the *Retired Coverage Enrollment Application.*

For most retirees, this will be the only opportunity to enroll for Retiree Dental Expense Plan coverage. (Waiver of enrollment due to other group dental coverage is permitted in limited circumstances, see Fact Sheet #73, *Retiree Dental Expense Plan*, for details.)

Dental Plan Costs

The Retiree Dental Expense Plan is offered with the understanding that the State will bear no costs for the plan, therefore, enrolled retirees pay the full cost of coverage. The Division of Pensions and Benefits will deduct the monthly premium from the retirement allowance of enrolled retirees. If the retirement allowance is not sufficient to cover the cost of the premium — or if the member does not receive a retirement allowance from the Division — the member will be billed on a monthly basis.

For more information about the Retiree Dental Expense Plan, see Fact Sheet #73, *Retiree Dental Expense Plan,* or the dental plan rate charts that are available on our Web site at: ***www.state.nj.us/treasury/pensions/shbp.htm***

Long Term Care Insurance

The Long Term Care Insurance Plan (LTC) provides coverage for long term services for persons of all ages with physical or mental impairments who have lost their ability to function independently. Long term care includes services needed on a regular basis — over a period of months, years, or a lifetime — such as personal care, home health care, rehabilitation, adult day care, assisted living, and nursing home services.

Enrollment in the LTC is available to employees of the State, a state college or university, or a New Jersey local governmental or educational entity provided it has adopted to offer the plan by resolution, retirees who were employed by these employers, and eligible family members of these employees and retirees.

The Prudential Insurance Company of America administers the LTC for the State of New Jersey. Additional information is available on our Web site at: ***www.state.nj.us/treasury/pensions***

EMPLOYMENT AFTER RETIREMENT

You may be wondering why anyone would work after retirement. The fact is that people are living longer, healthier lives and many of our retirees want, or need, to work and earn money after retirement. The PERS and TPAF have a few restrictions on retirees who work while collecting their pensions.

- A PERS retiree may not return to public employment in a job that would qualify for enrollment in the PERS where the retiree's aggregate annual salary from all PERS covered employment would be over $15,000 ($1,499 for a disability retiree). The retiree must also have a break in service of at least 30 consecutive days after the retirement date prior to the resumption of PERS employment in a new position. (Exceptions exist for elected officials, certain special service employees, and certain educational employees — see Fact Sheet # 21, *Employment after Retirement – PERS*, for details.)
- A TPAF retiree may not return to public employment in a job that would qualify for enrollment in the TPAF.

- A PERS or TPAF retiree is permitted to return to public employment in a job covered by another New Jersey State-administered retirement system, but cannot be enrolled in that retirement system.
- Special earnings limits and reenrollment rules apply for Ordinary Disability and Accidental Disability retirees — see Fact Sheet #15, *Disability Retirement Benefits,* for details.

Beyond that, there are very few limits. For most PERS and TPAF retirees, working for private industry, the federal government, or a government agency in another state will not affect your retirement benefits. However, if you are collecting Social Security benefits and have not reached your "full retirement age" under Social Security rules, you may be limited in how much you can earn from work.

For detailed information see Fact Sheet #21, *Employment after Retirement – PERS*; or Fact Sheet #28, *Employment after Retirement – TPAF.*

> ***Note:*** *If you retired prior to June 30, 2007, and later returned to public employment, the return to employment provisions described here may not apply. Please contact your employer representative ot the Division of Pensions and Benefits for additional information.*

CONTACTING THE DIVISION OF PENSIONS AND BENEFITS

Telephone Numbers

- For 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, retirement benefits, purchase costs, withdrawals, and your account with the retirement system.

- To speak with a counselor about your pension account, the State Health Benefits Program,or the School Employees' Health Benefits Program call (609) 292-7524 weekdays between 7:45 a.m. and 4:15 p.m. (except State holidays).

- If you are hearing impaired, call the TDD at (609) 292-7718.

- To speak with a representative about the Supplemental Annuity Collective Trust (SACT), call (609) 633-2031, weekdays between 9:00 a.m. and 4:00 p.m. (except State holidays).

- To speak with a representative about the State Employees Deferred Compensation Plan, call 1-866-NJSEDCP (1-866-657-3327) weekdays between 8:00 a.m. and 9:00 p.m. (except State holidays).

Member Benefits Online System (MBOS)

Personalized account information; online loan, purchase, and retirement applications; beneficiary information, and more is available 24 hours, seven days a week on MBOS.

Registration is required. For details go to:
www.state.nj.us/treasury/pensions/mbosregister.htm

Internet and E-Mail

Our Internet address: ***www.state.nj.us/treasury/pensions***

Send e-mail to: ***pensions.nj@treas.state.nj.us***

E-mail response times may be 7-10 days.

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 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.

The office is located at: One State Street Square, 50 West State Street, 1st Floor, Trenton, NJ.

Directions can be found at our Web Site at:
www.state.nj.us/treasury/pensions/drctns.htm

ADDITIONAL RESOURCES FOR RETIREMENT AND FINANCIAL PLANNING

The following Internet sites are provided for your convenience.

Social Security Administration: . . . . ***www.socialsecurity.gov***

Medicare: . . . . . ***www.medicare.gov***

Internal Revenue Service: . . . . . ***www.irs.gov***

NJ Division of Taxation: . ***www.state.nj.us/treasury/taxation***

Department of Military
& Veteran Affairs: . . . . . ***www.state.nj.us/military***

NJ Department of Personnel: . . ***www.state.nj.us/personnel***

NJBEST (529 College Savings): . . . . . ***www.hesaa.org***

Credit Union of New Jersey: . . . . . ***www.cunj.org***

Choose to Save (ASEC): . . . . . ***www.choosetosave.org***

Mutual Fund Information: . . . . . ***www.mfea.com***

America Saves: . . . . . ***www.americasaves.org***

Financial and Retirement
Planning for Women: . . . . . ***www.wiser-heinz.org***

Retirement Information: . . . . . ***www.retireonyourterms.org***

Life Insurance Information: . . . . . ***www.life-line.org***

Certified Financial Planner Board of Standards
(choosing a financial planner): . . . . . ***www.cfp.net***

ID Theft: . . . . . ***www.consumer.gov/idtheft***

Links to these sites can also be found on the Division of Pensions and Benefits Web site at:
www.state.nj.us/treasury/pensions/resources.htm

NOTES

The information provided in this booklet is as accurate as we could make it, however, the complete terms governing the Public Employees' Retirement System (PERS), Teachers' Pension and Annuity Fund (TPAF), and the other State-administered employee benefit programs discussed on this booklet are set forth in the New Jersey Statutes Annotated and the New Jersey Administrative Code. If there is are differences between the information presented here and the statutes governing the plan or regulations implementing the statutes, the statutes and regulations will take precedence.

If you are unsure of or have questions about any aspect of your PERS, TPAF or other employee benefits, you should ask about them by contacting your employer representative or a counselor at the Division of Pensions and Benefits.

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