Retirement Planning
Member Guidebook

For members of the Public Employees’ Retirement System (PERS) and the Teachers’ Pension and Annuity Fund (TPAF)
The information provided in this booklet is a summary and not intended to provide all information. While every attempt at accuracy has been made, it cannot be guaranteed. The complete terms governing the PERS, 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 & Benefits (NJDPB).
**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;
- Beneficiary Designation;
- Pension Letters and Statements; and
- Health Benefits Account Information (if applicable).

**For Employees**

- Pension Loans — Estimates and Online Loan Application;
- Online Purchase Application;
- Retirement Estimates and Online Retirement Application; and
- Payroll Certifications.

**For Retirees**

- Retirement Check Information and Check History;
- Online Direct Deposit/Electronic Fund Transfer (EFT) Application;
- Federal and State Income Tax Withholding; and
- Form 1099-R Information and Duplicate Request.

Information marked with this icon is available on MBOS.

Before you can begin MBOS you must be registered with both MBOS and the MyNewJersey website. Registration is free and you can register for MBOS from any internet connection.

To see detailed instructions about MBOS registration, go to: [www.nj.gov/treasury/pensions/mbos-register.shtml](http://www.nj.gov/treasury/pensions/mbos-register.shtml)

**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 on 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. However, many retirees 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 website at: [www.socialsecurity.gov](http://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 one percent of their pay (up to $19,000 for 2019). Members over age 50 can contribute an additional $6,000. 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 website at: [www.prudential.com/njsedcp](http://www.prudential.com/njsedcp) or call 1-866-NJSEDCP (1-866-657-3327); or the Supplemental Annuity Collective Trust (SACT) Plan’s website at: [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions) or call (609) 633-2031.

- Board of education, county and municipal employees can visit the Supplemental Annuity Collective Trust (SACT) Plan’s website at: [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions) or call (609) 292-7524; and should also contact their employer’s Benefits Office to find out what additional supplemental savings plans are available.

**Defined Contribution Retirement Program** – PERS or TPAF members enrolled on or after July 1, 2007, may be members of the Defined Contribution Retirement Program (DCRP) if they had salaries in excess of, or below, certain compensation limits established under the provisions of P.L. 2007, c. 103 (Chapter 103) and P.L. 2008, c. 89 (Chapter 89).
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, 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); and
- 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 the years of service required to qualify for 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 two years for personal illness; maximum of three 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 NJDPB — except the Alternate Benefit Program (ABP) or the DCRP.

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 State-paid or 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 State-paid or 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 website at: www.nj.gov/treasury/pensions

PURCHASE COST

The cost of purchasing service credit is based on your nearest age at the time the NJDPB 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; or
- 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 website at: www.nj.gov/treasury/pensions

PURCHASE PROCEDURES

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

Before you can purchase service credit you must submit a Purchase Application via MBOS and receive a Purchase Quotation Letter from the NJDPB.

Once you receive a purchase 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 90 days to return the Purchase Authorization portion of the quotation to the NJDPB.

For more details about the purchase of service credit, see the Purchase of Service Credit resources on our website at: www.nj.gov/treasury/pensions

RETIREMENT BENEFITS

The PERS and the TPAF are Defined Benefit plans under section 401(a) of the Internal Revenue Code (IRC). 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’ for Tiers 1, 2, and 3 means the average salary for the 36 months (30 months for employees with 10-month contracts) immediately preceding your retirement; and for Tier 4 and 5 the average salary for the 60 months (50 months for employees with 10-month contracts) immediately preceding your retirement. If your last years are not your highest years of salary, your allowance will be calculated using your highest fiscal years (July – June) of salary. If this is the case, you must indicate it on your retirement application.

TYPES OF RETIREMENT

Recent legislation changed the calculation methods and retirement age for some PERS and TPAF members. A PERS or TPAF member will be enrolled under one of five “membership tiers.”

- Membership Tier 1: Enrolled prior to July 1, 2007.
- Membership Tier 2: Enrolled on or after July 1, 2007, and prior to November 2, 2008.
- Membership Tier 3: Enrolled on or after November 2, 2008, and on or before May 21, 2010.
- Membership Tier 4: Enrolled after May 21, 2010 and prior to June 28, 2011.
- Membership Tier 5: Enrolled on or after June 28, 2011.

There are several types of retirement that vary by membership tier.

SERVICE RETIREMENT

The Service Retirement age is 60 or older for Tier 1 and Tier 2 members, 62 or older for Tier 3 and Tier 4 members, or 65 or older for Tier 5 members, with no minimum required amount of pension membership service credit. The benefit is calculated using the following formulas:

TIERS 1, 2, & 3

\[
\text{Years of Service} \times \text{Final Average Salary} \div 55 = \text{Annual Retirement Allowance}
\]

TIERS 4 & 5

\[
\text{Years of Service} \times \text{Final Average Salary} \div 60 = \text{Annual Retirement Allowance}
\]

For example: A Tier 1 member with 22 years of service credit would receive 22/55 (40 percent) of Final Average Salary.

EARLY RETIREMENT

Available to members who have 25 years or more of pension membership service credit and are under age 60 for Tier 1 and Tier 2 members or age 65 for Tier 3 or Tier 4 members; or with 30 years or more of pension membership service credit and under age 65 for Tier 5 members. The benefit is calculated using the appropriate Service Retirement formula (see above).
• **For Tier 1 members** who retire before age 55, your allowance is reduced 1/4 of one percent (three 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.

• **For Tier 2 members** who retire before age 60, your allowance is reduced 1/12 of one percent (one percent per year) for each month under age 60 through age 55, and 1/4 of one percent (three 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.

• **For Tier 3 or Tier 4 members** who retire before age 62, your allowance is reduced 1/12 of one percent (one percent per year) for each month under age 62 through age 55, and 1/4 of one percent (three 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 95 percent of your full retirement allowance.

• **For Tier 5 members** who retire before age 65, your allowance is reduced 1/4 of one percent (three percent per year) for each month under age 65.
  
  **For example:** If you retire at age 57, you will receive 76 percent of your full retirement allowance. If you retire at age 63, you will receive 94 percent of your full retirement allowance.

### VETERAN RETIREMENT

Available to qualified military veterans. If you are not already listed as a veteran on NJDPB’s records, you should submit a copy of your Form DD214 (military discharge papers) showing both your induction and discharge dates to:

N.J. Department of Military and Veterans Affairs
ATTN: DVP-VBB P.O. Box 340
Trenton, N.J. 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 the Veteran Status fact sheet. 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.

**The formulas for calculating a Veteran Retirement are the same for all Membership Tiers.**

Qualified 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.

Qualified veterans with 35 years or more 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:

\[
\text{Years of Service} \times \frac{\text{Highest 12 Months of Salary}}{55} = \text{Annual Retirement Allowance}
\]

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 the 25 or 30 years required for Early Retirement) and who are not yet 60 years of age for Tier 1 or Tier 2 members, 62 years of age for Tier 3 or Tier 4 members, or 65 years of age for Tier 5 members, when they terminate employment.

You must file a Retirement Application before the Deferred Retirement can become effective and payments can begin. After filing and upon reaching your appropriate Service Retirement age, you will begin to receive a retirement allowance based on the Service Retirement formula (see page 5).

If you do not file before you attain your appropriate Service Retirement age, your retirement will be effective on the first on the month after the NJDPB 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 to Tier 1, Tier 2, and Tier 3 members.

For more information on the qualifications for a disability retirement see the PERS or TPAF Member Guidebook or the Disability Retirement Benefits Fact Sheet. These publications are available on our website at: [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions)

Note: Tier 4 and Tier 5 members may be eligible for long term disability insurance after one year of continuous employment. Visit [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions) for details.
RETIREMENT ESTIMATES ON 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;
  or
• Call or make an appointment to visit the NJDPB’s Office of Client Services.

If you are more than two years from retirement:
• Use the online Retirement Estimate Calculator on the NJDPB website (this calculator can be used by all members at any stage in their career). www.nj.gov/treasury/pensions

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 NJDPB website.

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

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 can not change your payment option.

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 affects both you and your beneficiary. It should not be taken lightly. The NJDPB cannot advise members on which option to select. Therefore, you may want to consult with a financial professional before making this decision.

Option 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 (see table).

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.

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.

<table>
<thead>
<tr>
<th>Sample options for Member — Mary Jones</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>Maximum</td>
</tr>
<tr>
<td>Option A</td>
</tr>
<tr>
<td>Option B</td>
</tr>
<tr>
<td>Option C</td>
</tr>
<tr>
<td>Option D</td>
</tr>
<tr>
<td>Option 1</td>
</tr>
</tbody>
</table>

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 her 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 percent 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 (IRS) age restrictions apply for a nonspouse beneficiary.

Option C provides that upon your death, your beneficiary will receive, for life, 50 percent 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 percent 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 calculates a reserve of money 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 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 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 percent 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 NJDPB.

Note: For Options 2 and 4, IRS age restrictions apply for a nonspouse beneficiary.

For more information see the, Pension Options Fact Sheet, which is available on our website at: www.nj.gov/treasury/pensions

APPLYING FOR RETIREMENT

All retirement applications must be submitted online using MBOS. Paper applications are not accepted.

It is your responsibility to file an Application for Retirement Allowance. Your application must be submitted to the NJDPB 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 NJDPB.

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 NJDPB, you will receive a letter requesting a photocopy of your birth certificate or other acceptable documentation.

Proof of age for your beneficiary is required if you select pension options A, B, C, D, 2, 3, or 4 (see page 7 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.
**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**

<table>
<thead>
<tr>
<th>PERS Insurance Coverage while Actively Employed</th>
<th>Member with Noncontributory Insurance Only</th>
<th>Member with Both Contributory and Noncontributory Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age at Death</td>
<td>Member with Noncontributory Insurance Only</td>
<td>Member with Both Contributory and Noncontributory Insurance</td>
</tr>
<tr>
<td>Any Age</td>
<td>1.5 x salary</td>
<td>3 x salary</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TPAF Insurance Coverage while Actively Employed</th>
<th>Member with Noncontributory Insurance Only</th>
<th>Member with Both Contributory and Noncontributory Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age at Death</td>
<td>Member with Noncontributory Insurance Only</td>
<td>Member with Both Contributory and Noncontributory Insurance</td>
</tr>
<tr>
<td>Any Age</td>
<td>1.5 x salary</td>
<td>3.5 x salary</td>
</tr>
</tbody>
</table>

**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 Tier 1, 2, or 3 members on a Disability Retirement.

**TPAF Insurance Coverage for Retired Members**

<table>
<thead>
<tr>
<th>Type of Retirement</th>
<th>Death before age 60</th>
<th>Death after Age 60</th>
<th>Death before Age 60</th>
<th>Death after Age 60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service</td>
<td>N/A</td>
<td>3/16 x final salary</td>
<td>N/A</td>
<td>7/16 x final salary</td>
</tr>
<tr>
<td>Early &amp; Veteran</td>
<td>3/16 x final salary</td>
<td>3/16 x final salary</td>
<td>7/16 x final salary</td>
<td>7/16 x final salary</td>
</tr>
<tr>
<td>Deferred</td>
<td>None</td>
<td>3/16 x final salary</td>
<td>None</td>
<td>7/16 x final salary</td>
</tr>
<tr>
<td>Disability</td>
<td>1.5 x final salary</td>
<td>3/16 x final salary</td>
<td>1.75 x final salary</td>
<td>7/16 x final salary</td>
</tr>
</tbody>
</table>

**CONVERSION OF GROUP LIFE INSURANCE AT RETIREMENT**

For most retirees 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.

**DESIGNATION OF BENEFICIARY □ MBOS**

Upon your death, the NJDPB will pay death benefits to the last named beneficiary, or beneficiaries, you had designated. It is, therefore, very important to keep your beneficiary information up to date.

While designations for some pension options cannot be changed after retirement (see page 7), you should review and update 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.

**GROUPLife InsuRanCe**

□ **DESIGNATION OF BENEFICIARY**: Upon your death, the NJDPB will pay death benefits to the last named beneficiary, or beneficiaries, you had designated. It is, therefore, very important to keep your beneficiary information up to date.

While designations for some pension options cannot be changed after retirement (see page 7), you should review and update 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.

□ **CONVERSION OF GROUP LIFE INSURANCE AT RETIREMENT**: For most retirees 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 1-855-364-7783.

For additional information about conversion, including procedures for obtaining a conversion policy, see the Conversion of Group Life Insurance Fact Sheet, which is available on our website at: [www.nj.gov/treasury/pensions](http://www.nj.gov/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 NJDPB 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:

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Married Filing Jointly</th>
<th>Single</th>
<th>Married Filing Separately</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$20,000</td>
<td>$15,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>2017</td>
<td>$40,000</td>
<td>$30,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>2018</td>
<td>$60,000</td>
<td>$45,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>2019</td>
<td>$80,000</td>
<td>$60,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>2020 and beyond</td>
<td>$100,000</td>
<td>$75,000</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

Note: 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 N.J. 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-4P. 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 N.J. 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 NJDPB 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 NJDPB 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 IRS at: www.irs.gov or 1-800-TAX-1040.

For N.J. State Tax Information, contact the N.J. Division of Taxation at: www.nj.gov/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 website: 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 website at: www.nj.gov/treasury/pensions

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 education 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), and children under the age of 26 (and upon proof of disability, disabled dependents over age 26).

Spouse: This is a person to whom you are legally married. A photocopy of the Marriage Certificate and supporting documentation 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 and supporting documentation is required for enrollment. The cost of coverage for a civil union partner may be subject to federal tax (see your employer or the Civil Unions and Domestic Partnerships Fact Sheet, 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 P.L. 2003, c. 246 (Chapter 246), 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 and supporting documentation is required for enrollment. The cost of same-sex domestic partner coverage may be subject to federal tax (see your employer or the Civil Unions and Domestic Partnerships Fact Sheet for details). Eligibility is explained in detail in the Enrolling in Health Benefits Coverage When You Retire Fact Sheet, which is available on our website at: www.nj.gov/treasury/pensions

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 the Health Benefits Coverage — Enrolling as a Retiree Fact Sheet for details.) Eligible retirees may enroll in one of the available medical plans. All retired group medical plans include prescription drug coverage.

Most new retirees will be automatically enrolled into retired group health benefits coverage based on their current active group coverage. Members not eligible for automatic enrollment include those who have changed their retirement date; those who have waived coverage as active employees; those who have applied for a Disability Retirement; and those retiring from non-participating employer locations. These new retirees must complete and return a Retiree Health Benefit Enrollment and/or Change Form 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 SHBP or SEHBP members who are eligible for Medicare, or a Medicare-eligible spouse or partner, are automatically enrolled in the SHBP/SEHBP’s Medicare Part D plan. The plan design maintains the same copayments and out-of-pocket maximums as those for non-Medicare retirees.

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 NJDPB 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 NJDPB — the member will be billed on a monthly basis.

Detailed information on health benefit costs in retirement is available in the Health Benefits Coverage — Enrolling as a Retiree Fact Sheet.
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 and board of education 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. The State does not pay for the coverage of spouses, civil union partners, or domestic partners of deceased retirees.

RETIREE DENTAL COVERAGE
The Retiree Dental Plans are available to retirees eligible for enrollment in the SHBP or SEHBP.

Retirees have a choice of two types of plans: a Dental Plan Organization (DPO) or the Retiree Dental Expense Plan.

A Dental Plan Organization is a company that contracts with a network of providers for dental services. You must use providers who participate with the DPO you select to receive coverage and some services require a copayment. There are several DPOs participating in the Retiree Dental Plans from which you may choose.

The Retiree Dental Expense Plan (administered by Aetna Dental) is a fee-for-service plan. This means that covered services provided by any licensed dental provider are reimbursed 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.

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

DENTAL PLAN COSTS
The Retiree Dental Plans are offered with the understanding that the State will bear no costs for the plans; therefore, enrolled retirees pay the full cost of coverage. The NJDPB 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 NJDPB — the member will be billed on a monthly basis.
CONTACTING THE NJDPB

TELEPHONE NUMBERS

• For information about your individual account – 24 hours a day, seven days a week – call our Automated Information System at (609) 292-7524. All you need is your Social Security number, Pension Membership 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 7:00 a.m. and 4:30 p.m., Monday, Tuesday, Wednesday, and Friday and between 7:00 a.m. and 6:45 p.m. Thursday (except State holidays).

• If you are hearing impaired, call the TDD at (609) 292-6683.

• To speak with a representative about the Supplemental Annuity Collective Trust (SACT), call (609) 292-7524, week- days between 7:30 a.m. and 4:30 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.nj.gov/treasury/pensions/mbos-register.shtml

INTERNET AND E-MAIL

Our Internet address: www.nj.gov/treasury/pensions
Send email to: pensions.nj@treas.nj.gov
Email response times may be 7-10 days.

Mailing Address
N.J. Division of Pensions & Benefits
P.O. Box 295
Trenton, NJ 08625-0295

On all correspondance, be sure to include your membership number or Social Security number.

COUNSELING SERVICES

The NJDPB offers counseling services to members of the retirement systems and other benefit programs.

Counselors are available by appointment Monday through Friday from 8:00 a.m. to 4:00 p.m.

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

Appointments can be made and directions can be found on our website at: www.nj.gov/treasury/pensions

ADDITIONAL RESOURCES FOR RETIREMENT AND FINANCIAL PLANNING

The following Internet sites are provided for your convenience.

Social Security Administration: ............... www.ssa.gov
Medicare: ........................................... www.medicare.gov
N.J. Division of Taxation: ......................... www.nj.gov/treasury/taxation
N.J. Department of Military & Veteran Affairs: ................................. www.nj.gov/military

NJBEST (529 College Savings): ............. www.njbest.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.wiserwomen.org
Retirement Information: ......www.retireonyourterms.org
Life Insurance Information: ................... www.lifehappens.org
Certified Financial Planner Board of Standards (choosing a financial planner): .......... www.cfp.net
ID Theft: ............................................. www.consumer.ftc.gov

Links to these sites can also be found on the NJDPB website at: www.nj.gov/treasury/pensions