



Employers' Pensions and Benefits Administration Manual

For the Public Employees' Retirement System

PERS

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Enrollments

OVERVIEW

The Public Employees' Retirement System (PERS) is a defined benefit pension fund established in 1955. It is open to most State, county, municipal, authority, and school board employees and elected officials who are not required to become members of any other N.J. State retirement system (i.e., Teachers' Pension and Annuity Fund, Police and Firemen's Retirement System, State Police Retirement System, Judicial Retirement System, or Alternate Benefit Program). Membership in the PERS for employees who meet eligibility requirements is mandatory in most cases. The PERS is maintained on an actuarial reserve basis. The PERS Board of Trustees has the responsibility for the proper administration of the retirement system. All membership and retiree account records in the PERS begin with the number "02," except for legislative accounts. Legislative accounts begin with "00."

EMPLOYER TRAINING

All employers, including Certifying Officers and their immediate supervisors, are expected to complete Board-approved training on proper enrollment procedures. This training is available on the New Jersey Division of Pensions & Benefits (NJDPB) website: www.nj.gov/treasury/pensions Without training and the annual certification, an employer will be unable to process new enrollments.

GENERAL ELIGIBILITY CRITERIA

Membership Tiers

PERS members are classified by "membership tiers," as [N.J.S.A. 43:15A-7](#) makes the eligibility requirements for PERS enrollment and retirement different for five distinct enrollment periods:

- **Tier 1 Membership**, for members who were enrolled before July 1, 2007, with a minimum annual salary of \$1,500;
- **Tier 2 Membership**, for members who were enrolled on or after July 1, 2007, and before November 2, 2008, with a minimum salary of \$1,500;
- **Tier 3 Membership**, for members who were enrolled on or after November 2, 2008, and on or before May 21, 2010, and who meet or exceed the minimum salary set for the current calendar year, subject to future adjustment;
- **Tier 4 Membership**, for members who were enrolled after May 21, 2010, and before June 28, 2011, and who work the minimum number of hours per week (fixed hours of 35 hours or more for State employees, or 32 hours for local government, local education, or State education employees), with no minimum salary requirement;
- **Tier 5 Membership**, for members who were enrolled on or after June 28, 2011, and who work the minimum number of hours per week (fixed hours of 35 hours or more for State employees, or 32 hours for local government, local education, or State education employees), with no minimum salary requirement.

In addition, an employee must be enrolled in the PERS if:

- The employee's wages are subject to Social Security taxes;
- The employee is not required to be a member of any other State or local government retirement system on the basis of the same position;
- The employee is receiving a monthly retirement allowance from the PERS and works the minimum number of hours per week required for Tier 5 enrollment; and

- The employee is in a permanent position or has had 12 months of continuous temporary or provisional service.

Eligibility determinations are then based on whether or not the employer uses Civil Service for hiring.

Visa Holders and PERS Membership Eligibility

J-1, F-1, M-1, and Q-1 visa holders are not eligible for membership in the PERS. Employees working under other visa types whose earnings are subject to Social Security withholding may be eligible for PERS enrollment. If you are unsure about whether or not to enroll a visa holder in the PERS, please contact the NJDPB.

PERS Ineligibility

General rules concerning those who are ineligible for membership in the PERS are as follows:

1. Persons with a bona fide retirement from the PERS, returning to public employment on a part-time basis.
2. Persons with a bona fide retirement from a N.J. State-administered retirement system other than the PERS (e.g., the Teachers' Pension and Annuity Fund), or from a local New Jersey retirement system, are not eligible for PERS enrollment, but may assume a PERS-covered position and receive the full salary without consequence to any existing retirement allowance.
3. Employees who do not meet the minimum salary requirements for Tier 1, 2, or 3 Membership, or the minimum hourly requirements for Tier 4 or 5 Membership.
4. PERS disability retirees who have been approved to return to PERS-covered employment but do not earn the minimum annual salary for enrollment under their original PERS membership tier.

5. Employees whose positions are not covered by Social Security.
6. Provisional or temporary employees covered by Civil Service with less than 12 months of continuous service.
7. Persons employed under a "Professional Service Contract" and persons whose services are engaged as consultants, self-employed contractors, or other similar titles, and who do not qualify as "employees" of an employing agency. The guidelines published by the Internal Revenue Service (IRS) are used to determine if a person is considered an independent contractor. The actual nature of the relationship between an employer and a person who provides paid services is of central importance, not the title of "contractor" or "consultant" itself. See the *Independent Contractors, Professional Services Contracts, and Pension Enrollment* Fact Sheet for more information.
8. Seasonal employees, who are defined as those who work occasionally in a position that the employer does not expect will lead to permanent employment, and whose work periods do not extend beyond six consecutive months for employing locations that report on a 12-month basis, or five months for employing locations that report on a 10-month basis. Further, the employer/employee relationship is severed at the end of the employment period, and such breaks in service last at least 30 days (see N.J.S.A. 17:2-2.3(a)5).
9. Newly elected State or local officials (see "DCRP Enrollments.")
10. Newly appointed State or local officials who do not have an existing PERS account (see "DCRP Enrollments").
11. Employees who receive a lump-sum retirement distribution from the Alternate Benefit Program (ABP) or Defined Contribution Retirement Program (DCRP), regardless of distribution amount.
12. Temporary or provisional employees holding Police and Firemen's Retirement System (PFRS)-eligible positions who do not have an existing PERS account.

CIVIL SERVICE VS. NON-CIVIL SERVICE

Civil Service Employers

If a person is regularly appointed to a classified position by a Civil Service employer, the PERS enrollment date will also be his/her date of regular appointment.

If an employee is provisionally appointed to a position, the enrollment date will be the beginning of the 13th month of continuous employment or the date of regular appointment, whichever comes first.

An employee in a regularly budgeted, unclassified position is eligible for enrollment as of the date of hire.

Non-Civil Service Employers

Employees at non-Civil Service locations who are hired into regularly budgeted positions should be enrolled effective their date of hire.

If hired into positions that are not regularly budgeted, employees may be considered temporary within the first year of employment for pension purposes. If otherwise eligible and employment continues into the second year, the compulsory enrollment date will be the first of the 13th month of continuous employment.

PART-TIME HOURLY EMPLOYEES

Anyone employed on a part-time hourly basis prior to May 21, 2010, was eligible to enroll in and contribute to the PERS, provided all general eligibility requirements were met.

- If the position was regularly budgeted, then the part-time hourly employee was enrolled on the date of hire.
- If the position was not regularly budgeted, then the part-time hourly employee was eligible for PERS enrollment at the beginning of the 13th month of continuous employment.

However, those who accept employment on or after May 21, 2010, must meet the minimum weekly hours in order to become a member of the PERS: fixed hours of 35 hours or more for State employees, or fixed hours of 32 hours or more for local government, local education, or State education employees. Employees who work less than the fixed number of hours are ineligible for membership in the PERS.

Reporting and Certifying Salaries of Part-time Hourly Employees

Employers are instructed to report actual earnings for all part-time, hourly employees on the *Quarterly Report of Contributions*. This applies to Tier 1, 2, and 3 employees only, provided there has not been a break in service.

PART-TIME CROSSING GUARDS

Part-time crossing guards hired after May 21, 2010, are ineligible for enrollment in the PERS, as they do not work the minimum number of hours per week required for Tier 4 or 5 membership.

Prior to May 21, 2010, enrollment of part-time crossing guards depended on several factors:

- Enrollment was optional if the part-time crossing guard was receiving periodic retirement benefits from the federal government (whether military, civilian, or Social Security benefits).
- A crossing guard who had previously retired from any public retirement system in New Jersey, other than the PERS, was ineligible for enrollment, though he or she could still be employed in the crossing guard position.
- If a crossing guard was retired from the PERS, and earned more than \$15,000 total from PERS employment, then enrollment was mandatory.

ON-CALL EMPLOYEES

On-call employees, such as substitute teachers, bedside instructors, or home-bound instructors, who are hired on or after May 21, 2010, must meet the requirements for Tier 4 or Tier 5 PERS membership. By the very nature of the position, on-call employees generally do not work fixed hours and would not be eligible for enrollment in the PERS. On-call employees may be eligible for enrollment in the Defined Contribution Retirement Program (DCRP).

Monitoring of On-Call Employees after Enrollment

On-call employees with Tier 1, 2, or 3 PERS membership were enrolled in the PERS based on the number of days worked. Once an on-call employee had worked 120 days in a one-year period for a 12-month member (100 days for a 10-month member), the employer enrolled the employee in the PERS on the first of the 13th month of employment provided all other eligibility criteria were met.

For on-call employees with Tier 1, 2, or 3 PERS membership, the employer does not need to monitor the number of days worked once enrollment has occurred. Instead, the employer must monitor the employee's

monthly salary, because the employee must earn a minimum monthly salary for pension service credit and salary to be reported.

Report Actual Salary: PERS Tier 1, 2, or 3 Only

Employers should report the on-call member's actual salary. There is a minimum monthly salary that must be earned for pension service credit and salary to be reported.

For Tier 1 and 2

When a 10-month member has a monthly reportable salary of \$150 (one-tenth of \$1,500) or more, the employer should deduct pension contributions and report one month of service credit for the member for that month.

For a 12-month member, the employer should deduct pension contributions and report one month of service credit for the member for that month if the member has a monthly reportable salary of \$125 (one-twelfth of \$1,500) or more.

Tier 3

When a 10-month member has a monthly reportable salary equal to one-tenth of the minimum salary required for Tier 3 enrollment for the current year or more, the employer should deduct pension contributions and report one month of service credit for the member for that month.

For a 12-month member, the employer should deduct pension contributions and report one month of service credit for the member for that month if the member has a monthly reportable salary of one-twelfth of the minimum salary required for Tier 3 enrollment for the current year or more.

All months of service and salary must be reported from the date that payroll deductions are certified to begin.

If a member's salary falls below the minimum level for

membership for a month, then that month's service and salary are not reported on the Quarterly Report of Contributions. See the "Report of Contributions" section.

LONG-TERM SUBSTITUTES AND REPLACEMENT TEACHERS

A replacement teacher is an employee who assumes the duties of a teacher in a regularly-budgeted position for the length of time that teacher is on an approved leave of absence. Replacement teachers are eligible for PERS enrollment on the first day of the 13th month after the commencement of continuous service.

If a replacement teacher assumes the duties of a teacher on terminal leave, he or she is eligible for TPAF membership as of his or her date of hire.

A permanent, long-term substitute in a regularly budgeted position is eligible for PERS enrollment on the date of hire.

ELECTED OFFICIALS

Elected officials whose term begins on or after July 1, 2007, must be enrolled into the DCRP under N.J.S.A. 43:15C-2, not the PERS. Enrollment in these cases into the DCRP is not optional.

Elected Officials Enrolled prior to July 1, 2007

Information below applies only to elected and appointed officials whose enrollment in the PERS occurred before July 1, 2007.

Prior to July 1, 2007, elected officials who qualified as veterans were required to enroll in the PERS if basic PERS eligibility criteria were met.

Non-veteran elected officials had the option to enroll in the PERS when they assumed office, as long as the basic eligibility criteria were met: \$1,500 per year minimum salary subject to Social Security withholding.

If they chose not to enroll at the start of their elected term, but then decided to enroll at a later date, their PERS enrollment date was the first of the month following receipt of the PERS enrollment application.

These members may continue to receive PERS service credit while serving continuously in the same elected office, including being re-elected into the same office. If, however, an individual is elected to a different elected office, PERS membership will end and the newly elected official may only be eligible for membership in the DCRP.

Note: Service in either House of the State Legislature is considered a single elected public office — see additional information in the *PERS Handbook Addendum for the Legislative Retirement System (LRS)*.

In addition, any non-veteran official who was elected prior to July 1, 2007, and opted not to enroll in the PERS, will immediately become eligible for membership in the DCRP upon re-election to the same elected office, or if elected to a different elected office on or after July 1, 2007.

Under N.J.S.A. 43:15C-2, effective June 28, 2011, an elected official who chooses to retire from other PERS-covered positions must also retire from the elected official position held on the same date. The retiree may not continue as an elected official after retirement from other PERS-covered positions held.

If an elected official is retiring from PERS, and his or her PERS career is composed entirely of service in elected positions, then the official must also terminate all elected positions before retirement.

Elected Officials Who Have Retired from the PERS

Previously, retired PERS members had the option to re-enroll in the PERS if elected to public office and their minimum salary was more than \$15,000. Under N.J.S.A. 43:15C-2, newly elected officials are not permitted to reenroll in the PERS.

Note: Veteran status is not a factor in the enrollment of retired members who are subsequently elected to public office, as it is with active members elected to public office.

Retirees of Another N.J. State-Administered Retirement System Elected to Public Office

If a retired member of another N.J. State-administered retirement system is elected to public office, the elected official may either continue to receive the retirement benefit from the former employment and not be eligible for the DCRP, or he or she could choose to suspend the retirement benefit from the former employment and enroll in the DCRP while in elected office (upon termination of the elected office, the retirement benefit from the former employment would be reinstated).

If a PERS retiree enrolls in the DCRP:

- The first retirement allowance is suspended and a new membership account is created.
- If the member retires again, the first pension allowance is reinstated and a second pension allowance is calculated for the second period of service; each benefit is paid in a separate retirement check.
- If the member dies during the second membership, only active death benefits from the second membership are payable — no death benefits are payable from the first retirement allowance, aside from any unpaid pension contributions.

APPOINTED OFFICIALS

An “appointed official” is someone whose employment is through an “appointing authority.”

A State or local official who is newly appointed by the Governor on or after July 1, 2007, is ineligible for enrollment in the PERS. This includes those requiring the advice and consent of the Senate; pursuant to an appointment by the Governor to serve at the pleasure of the Governor only during his or her term of office; or in a substantially similar manner by the governing body of a local entity (county, municipality, etc.). Newly appointed officials are eligible for enrollment in the DCRP.

If the State or local appointee was a PERS member prior to July 1, 2007, the individual may continue to receive PERS service credit while serving in the same or any new or subsequent appointment, provided that there has not been a break in PERS service for more than two consecutive years prior to the appointment.

In addition, an appointee may be enrolled in the PERS if the individual holds a professional license or certificate and is appointed to one of the following titles that are excluded from DCRP enrollment: Certified Health Officer, Tax Assessor, Tax Collector, Municipal Planner, Chief Financial Officer, Registered Municipal Clerk, Construction Code Official, Licensed Uniform Subcode Inspector, Qualified Purchasing Agent, or Certified Public Works Manager.

An appointed official who is excluded from DCRP enrollment must follow the same PERS enrollment eligibility rules and laws as any other PERS employee. See the “General Eligibility Criteria” section.

INTERMITTENT EMPLOYEES

An “intermittent employee” is one who does not work continuously throughout the year. Service with an employer is not continuous, is not full time or part time, and there are significant breaks between service periods [N.J.A.C. 17:2-2.3(a)8].

Example: An employee is hired in a municipal tax office to provide help during peak work times. This person works 30 hours per week during tax season, but does not work at other, less busy times. This person is not eligible for enrollment because the service is not continuous and, therefore, intermittent.

If you hire an employee for intermittent employment who has already established membership in the pension system, do not complete a *Report of Transfer* form to enroll them at your location. The salary earned by an intermittent employee would not be reported for pension credit.

ADJUNCT FACULTY MEMBERS

An adjunct faculty member is a faculty member who teaches part-time at a public institution of higher education.

Alternate Benefit Program (ABP) Eligibility Requirements for Adjunct Faculty Members

Any adjunct faculty member or part-time instructor whose employment agreement began after October 31, 2008, is required to participate in the ABP, under N.J.S.A. 18A:66-168, et seq., and is not eligible to enroll in the PERS.

Enrollment is to begin within 30 days of commencing employment in the ABP-eligible position.

For additional information, please see the *Alternate Benefit Programs Administration* on the NJDPB website.

Adjunct Faculty Members with Prior PERS Membership

Adjunct faculty members and part-time instructors whose employment agreement took effect prior to November 1, 2008, will become eligible to participate in the ABP once they sign and begin service under a new employment agreement. An adjunct faculty member or part-time instructor already enrolled in the PERS, who enters into a new employment agreement after October 31, 2008, must complete the *Election of Retirement Coverage — Transfer from PERS/TPAF* form within 30 days of commencing employment in an ABP-eligible position. The options available are to:

- Irrevocably waive their statutory right to participate in the ABP and continue their participation in the PERS;* or
- Irrevocably waive their right to remain in the PERS and transfer their pension contributions to the ABP.

*If the *Election of Retirement Coverage* form is not completed, the member will not be permitted to continue to participate in the PERS.

Note: Members who irrevocably waive their right to remain in the PERS are permitted to leave an existing PERS account intact and enroll into a separate ABP account, or they may consolidate the PERS retirement credit under the ABP.

To determine whether the adjunct member is eligible for PERS enrollment, and at what point in time enrollment should occur, these two factors must be considered:

- If an adjunct faculty member is already enrolled in the PERS through other employment, he or she may be eligible for enrollment in the PERS or ABP for the adjunct faculty position at the start of employment in that position (eligibility may be restricted due to changes in multiple membership in accordance with N.J.S.A. 43:15A-7).

- If a full-time faculty member at a public institution of higher education is enrolled in the ABP and assumes an adjunct faculty position with the same employer, he or she is not eligible for enrollment in the PERS for the adjunct faculty position.

ABP vs. PERS

For faculty members and employees of State colleges and universities who have a choice of enrolling in either the ABP or the PERS, several resources are available to help them select the retirement system that best meets their needs. The ABP is a defined contribution plan, while PERS is a defined benefit plan. To learn more about the differences in benefits and administration, plus information sources available to your employees, you may visit the NJDPB website.

PERS ELIGIBILITY WHEN EMPLOYED IN A PFRS TITLE

Eligibility criteria for enrollment in the Police and Firemen's Retirement System (PFRS) requires that the member enroll in the PFRS once they receive a permanent appointment and complete Police Training Commission (PTC) training or firefighter certification. For those members with active PERS membership accounts, they cannot remain in the PERS if they have a permanent appointment but have not completed the required academy training.

Those members who are eligible to remain in an active PERS membership account are those who are provisional or temporary in a PFRS-eligible title. This is in accordance with the provisions of N.J.A.C. 17:2-2-8.

Note: At State and county locations, all individuals who are over age 35 upon permanent appointment to PFRS positions will continue membership in the PERS upon completion of PTC training or firefighter certification.

At municipalities which are Civil Service locations, all individuals who are one day or more past their 35th birthday upon permanent appointment cannot enroll in the PFRS. For Non-Civil Service locations, they cannot be one day over age 35 at date of hire. These individuals are not permitted to continue participation in the PERS. Therefore, these individuals cannot remain in the PFRS-eligible position because participation in a State-administered pension system (PERS or PFRS) is a condition of employment.

LAW ENFORCEMENT OFFICERS (LEOs)

N.J.S.A. 43:15A-97 et seq., established the Law Enforcement Officer (LEO) category as a special group of the PERS that includes employees at State and county employing locations. The LEO group is eligible for enhanced retirement benefits not available to regular

PERS members. See the *Law Enforcement Officers (PERS-LEO) Member Guidebook Addendum* for more information.

LEO-Covered Titles under the PERS

Currently, new employees in LEO titles who do not meet the age or medical requirements for entry into the PFRS may choose to participate in the LEO category of PERS or as a regular member of the PERS. The following titles are covered by the LEO designation:

Division of Fish and Game

Conservation Officer

Office of County Prosecutor

County Detective

Lieutenant of County Detectives

Captain of County Detectives

Chief of County Detectives

County Investigator

Office of County Sheriff

Sheriff's Officer

Sergeant Sheriff's Officer

Lieutenant Sheriff's Officer

Captain Sheriff's Officer

Chief Sheriff's Officer

Sheriff's Investigator

Palisades Interstate Park Commission

Patrolman

Police Officer

Forms Required for PERS LEO Membership

PERS LEO members must be enrolled in the PERS via the Employer Pensions and Benefits Information Connection (EPIC).

Upon submission of the *Enrollment Application*, a person employed in an eligible job title who meets the enrollment criteria will be enrolled in the LEO category of PERS. A *Law Enforcement Officers — Waiver Form* will be mailed to the member. If the member chooses to waive participation as a LEO member, he or she must complete and sign the waiver form and return it to the NJDPB within 90 days.

A LEO-eligible individual who signs the waiver form will be enrolled as a non-law enforcement officer in the regular PERS category of membership. The decision to waive participation in the LEO category of PERS is irrevocable.

Compulsory Retirement under LEO-Eligible Positions

Non-veterans must retire by the first day of the calendar month after attaining age 65. However, veterans who lack 20 years of PERS service credit at age 65 must retire as soon as they have 20 years of such service credit or on attainment of 70 years of age, whichever is earlier.

All employees holding LEO-eligible titles, regardless of whether they waive the right to participate in the LEO category, are subject to Compulsory Retirement.

VOLUNTEER FIREFIGHTERS AND PENSION SYSTEM ELIGIBILITY

Police and Firefighters must meet stringent age criteria in order to be eligible for enrollment in the PFRS. Those who have passed their 35th birthday cannot be enrolled in the PFRS. Those over the age of 35 who are employees of the State or of a county can still be hired in PFRS titles, but are enrolled in the PERS. However, State law prohibits the hiring of municipal police officers and firefighters over age 35.

There are two exceptions for municipal firefighters:

- N.J.S.A. 40A:14-44 allows individuals who are over age 35 in a “part-paid” fire department (some of the department’s firefighters are paid, the others are volunteers) to be hired to paid positions up to age 40, as long as they have served for at least two years as a volunteer in the same fire department immediately prior to the appointment. They are eligible for enrollment in the PERS, not the PFRS.
- N.J.S.A. 40A:14-56 allows individuals who are over age 35 in a part-paid fire department, to be hired to paid positions up to age 45, if they are able to obtain an *Exempt Firefighter Certificate*. Obtaining the *Exempt Firefighter Certificate* requires such individuals to meet a number of conditions. For more information, including the list of the conditions which must be met to qualify and a sample *Exempt Firefighter Certificate*, please see below. Please note that individuals who qualify for this exemption are eligible for enrollment in the PERS, not the PFRS.

The following conditions must be met by municipal volunteer firefighters over age 35 in order to be granted an *Exempt Firefighter Certificate*:

1. The fire department or force is composed of both paid and volunteer firefighters (part-paid);
2. The firefighter is not under age 18 or older than 45

years of age;

3. The firefighter is of good moral character at the time of appointment;
4. The firefighter performed as a volunteer firefighter for at least seven years in a department or force that employs paid firefighters;
5. The firefighter participated in at least 60 percent of fire duty at the location;
6. If a firefighter, otherwise eligible for an *Exempt Firefighter Certificate*, was unable to complete seven years of service due to injury or injuries that proved disabling, the firefighter may still be eligible for an *Exempt Firefighter Certificate* if he or she had participated in 60 percent of fire duty over a period of five years; and
7. If a firefighter had service in more than one municipal fire department, and if the aggregate service (excluding concurrent service) totals seven years or more, the firefighter will be eligible for an *Exempt Firefighter Certificate* from the department or force in the municipality in which he or she is participating at the time of becoming eligible (N.J.S.A. 40A:14-56).

The Exempt Firefighter Certificate

According to N.J.S.A. 40A:14-59, when an *Exempt Firefighter Certificate* is issued, there must be four copies, which are given to:

1. The New Jersey State Firemen’s Association;
2. The exempt firefighter’s department to be kept as a permanent record;
3. The firefighter; and
4. The county clerk of the county in which it was issued (within 60 days).

There can be no fee associated with issuing the certifi-

cate, and it must be signed by the official in charge of the fire department and force, and the chief executive officer of the municipality. The municipal clerk must affix the municipal seal, attest the certificate, and ensure that the filing and delivery of copies are completed.

MULTIPLE MEMBERSHIP

A PERS “multiple member” is someone who is employed by more than one PERS-participating employer and enrolled in the PERS through more than one employer — that is, more than one employer reports to the PERS for that employee concurrently.

In the past, an employee already holding a PERS membership through one PERS-covered position could become a multiple member when taking additional PERS-covered position(s). That employee had to enroll in the PERS for the new position(s) immediately, as of the date of hire, regardless of the member’s employment status, as long as salary and Social Security eligibility requirements for the PERS were met.

However, N.J.S.A. 43:15A-7, requires that an employee enrolled *after* May 21, 2010, be eligible for PERS membership based upon only one position. It also requires the retirement system to designate the position providing the highest compensation for the member from among any concurrently held positions. This position will be used as the basis for eligibility for membership, service credit, the compensation base for pension contributions, and for other pension calculations.

Under the provisions of N.J.S.A. 43:15A-7, multiple membership is only available to Tier 1, 2, and 3 members provided that there has not been a “break in service” in any concurrently held PERS-eligible position.

Note: A break in service is any pension reporting period without pay — a month or a biweekly pay period as appropriate to the employer’s reporting method — with the exception of approved leaves of absences, lay-off,

abolishment of position, military leave, Workers' Compensation, litigation, or suspension.

Thus, for all tiers, any new, concurrently held PERS-eligible position begun after May 21, 2010, will not qualify for service credit or the compensation base for pension contributions and calculation of retirement for any PERS member.

If there is a break in service with any concurrently held PERS-eligible position after May 21, 2010, that employer will no longer be permitted to submit pension contributions for the multiple member. Furthermore, service credit or salary from any future employment with that employer will not qualify for the compensation base for pension contributions and calculation of retirement for the PERS multiple member.

A Tier 1, 2, or 3 employee who established multiple member, prior to May 21, 2010, will always be considered a multiple member for the duration of their membership, even if at a later date the member works for only one employer.

Once a member has established multiple membership, he or she cannot withdraw or collect retirement benefits until retirement or termination from all positions covered by the PERS occurs.

An employee who terminates PERS employment from one PERS employer to accept employment at a new PERS employer is transferring membership (see "the Interfund and Intrafund Transfers" section).

Note: An employee hired for intermittent employment cannot be enrolled in the PERS, and salary earned by an intermittent employee would not be reported for pension credit.

Since multiple membership is no longer permitted for positions taken after May 21, 2010, the *Report of Transfer/Multiple Enrollment* form can no longer be used for this purpose. However, the form is used when a higher

paying position at another location replaces membership at an existing location.

CONTRIBUTION RATE

The PERS full rate of contribution is established by the legislature by enacting or amending pension law. Under N.J.S.A. 43:15A-25, the PERS contribution rate will be increased to 7.5 percent in phases, as follows:

Pension Contribution Rate	
Month-Year	Contribution Rate
July 2011	6.50%
July 2012	6.64%
July 2013	6.78%
July 2014	6.92%
July 2015	7.06%
July 2016	7.20%
July 2017	7.34%
July 2018	7.50%

With the exception of the PERS Prosecutors Part (see the *Prosecutors Part (PERS-PP) Member Guidebook Addendum*), the rate increases apply to all PERS groups, including PERS LEOs, PERS Workers' Compensation Judges, and PERS Legislators (LRS).

Federal Pensionable Maximum Salary

PERS is a "qualified" pension plan under the provisions of the Internal Revenue Code (IRC), Section 401(a) (17); therefore, the current federal ceiling on pensionable salary applies to the base salaries of PERS Tier 1 members. Salary earned by a PERS Tier 1 member in excess of this amount is not pensionable; that is, it may not be used in determining member contributions and benefits. For more information about this topic, please see the IRS website at www.irs.gov

The PERS contribution rate for Tier 1 members is applied to the full pensionable salary, up to the "federal pensionable maximum."

The PERS contribution rate for Tier 2, 3, 4, and 5 members is applied to the pensionable salary up to a compensation limit based on the annual maximum wage for Social Security deductions. Members who earn in excess of the annual maximum compensation limit will be enrolled in the Defined Contribution Retirement Program (DCRP) in addition to the PERS. A contribution of five and one-half percent of the salary in excess of the limit (plus three percent from the employer) will be forwarded to a DCRP account. Annual compensation limits can be found on the NJDPB website.

Maximum Compensation

N.J.S.A. 43:15C-2 imposes a maximum compensation upon which contributions will be made for Tier 2, 3, 4, and 5 PERS members — those who are enrolled in the PERS on or after July 1, 2007. The maximum amount will be the amount of base or contractual salary equivalent to the annual maximum wage contribution base for Social Security, based on the Federal Insurance Contributions Act. The annual maximum compensation limit can be found on the NJDPB.

A member whose salary reaches or exceeds this annual maximum in any year will become a participant of the DCRP, unless the member waives participation when first eligible. The PERS member may request to participate in the DCRP at a later time; upon such a request, enrollment will be effective the following January 1st. For the amount of compensation over the maximum compensation, five and one-half percent will be deducted as a contribution for the purposes of the program. Employers will contribute three percent of the amount of employee base salary over the maximum compensation to the program.

When a PERS member also becomes a participant in the DCRP, the life insurance and disability benefit provisions of that program will be available for that participant.

PERS GROUPS CLOSED TO NEW MEMBERSHIP

Workers' Compensation Judges Group

Effective June 8, 2007, in accordance with N.J.S.A. 43:15A-143, the Workers' Compensation Judges (WCJ) Part of the PERS was closed to new membership.

Members who were enrolled in the WCJ Part of the PERS (those employed by the Division of Workers' Compensation of the Department of Labor as Workers' Compensation Judges, Chief Judge, Administrative Supervisory Judge, Supervisory Judge, and Judge of Compensation) prior to June 8, 2007, will continue to be offered special retirement benefits through their membership in the WCJ Part of the PERS.

Prior to the enactment of N.J.S.A. 43:15A-144, the contribution rate for the WCJ Part of the PERS was 5.5 percent of base salary. This rate was effective July 1, 2007. The rate prior to July 1, 2007, was five percent of base salary.

Those who are appointed to a Workers' Compensation Judge title at Division of Workers' Compensation of the Department of Labor on or after July 1, 2007, including Chief Judge, Administrative Supervisory Judge, Supervisory Judge, and Judge of Compensation, may be eligible for enrollment in the DCRP, a plan established for elected and appointed officials under the provisions of N.J.S.A. 43:15C-2.

Legislative Retirement System (LRS)

N.J.S.A. 43:15A-135, closed the Legislative Retirement System (LRS) group of the PERS to new enrollees as of July 1, 2007.

A State legislator who is newly elected to office on or after July 1, 2007, is ineligible for enrollment in the PERS. Elected officials may be eligible for enrollment in the DCRP.

A State legislator who was enrolled in the LRS group of PERS prior to July 1, 2007, may continue to receive LRS-PERS service credit while serving in the same elected office — service in either House of the State Legislature is considered a single elected public office.

If the individual is elected to a different elected office, PERS membership will end and the newly elected official may only be eligible for membership in the DCRP. The *DCRP for Elected and Appointed Officials* Fact Sheet provides additional information.

Prosecutors Part of the PERS

Prosecutors taking office after May 21, 2010, will be enrolled as Tier 4 or 5 members of the regular PERS, or regular PERS if a Tier 1 PERS member continuously since July 1, 2007. An exception is made in the case of a county prosecutor who is appointed by the Governor with the advice and consent of the Senate, who will be enrolled in the DCRP.

PERS ENROLLMENT THROUGH EPIC

An employer must log on to EPIC and complete the online *Enrollment Application* in order to enroll a newly hired employee in the PERS.

Employers are reminded to submit the application for each newly hired employee promptly, so that the NJDPB can process the enrollment in a timely manner. Delayed and forced enrollments can be costly to the employer.

To sign up for EPIC please visit the NJDPB website: www.nj.gov/treasury/pensions For help in completing the online *Enrollment Application* through EPIC, please refer to the *EPIC User's Guide*.

Delayed Enrollment Employer Liability

A delayed enrollment liability is generated when an employee is not enrolled in the pension system within one year after the compulsory enrollment date. When this occurs, the employer becomes liable for one-half of the pension contributions that the employee would have paid had he or she been enrolled in a timely manner.

Delayed Enrollment billing is calculated as follows:

- The employee's normal rate of contribution multiplied by the employee's salary equals the contribution dollar amount.
- The contribution dollar amount multiplied by the number of pays the member should have been properly enrolled equals the total amount of the liability.
- The employer is responsible for one-half of the liability amount; the other half is the responsibility of the employee.

Delayed Appropriation billing is calculated as follows:

- The employee's salary multiplied by the number of pays of delayed enrollment multiplied by the employer rate.

The salary reported on the ROC is used to calculate the annual employer appropriation billing. The employer liability for delayed enrollments is governed by P.L. 121, c. 121 (Chapter 121) and N.J.A.C. 17:1-3.1.

Beneficiary Designation

At the time of enrollment, the employee's estate will automatically be designated as the beneficiary for any death benefits payable. Employers should strongly encourage new employees to register to use the Member Benefits Online System (MBOS) in order to update their beneficiary information after enrollment. Please see the "Group Life Insurance Coverage" section for more infor-

mation, including how a member can change his or her beneficiary information once enrolled.

The *Designating a Beneficiary* Fact Sheet is available to provide information to members requiring help in making their beneficiary selections for pension and/or group life insurance.

Common Employer Tasks at the Time of Enrollment

For instructions on completing the EPIC *PERS Enrollment Application*, see the *EPIC User's Guide*.

If the member is over age 60 or returning to work from a Disability Retirement, and wishes to be covered under group life insurance, the member must provide proof of insurability.

Creditable Compensation

Creditable compensation consists of pay that meets all of the following criteria:

- Pay for performance of duties required of a PERS-covered position;
- Pay received in a regular paycheck, not in a lump-sum payment;
- Pay not specifically listed as extra compensation or as not being creditable;
- Pay received in a similar manner by everyone else in a similar situation; and
- Pay that is included in base salary from the first day it is paid.

The creditable compensation rule does not prohibit the inclusion of longevity, holiday pay, or education pay in creditable salary. These items can be included if the payments are made as a part of each paycheck for all employees in the same collective bargaining agreement from the time they first receive the compensation.

Extra Compensation

Extra Compensation is not included in base salary. Extra compensation means individual salary adjustments granted primarily in anticipation of retirement or as additional compensation for performing temporary duties beyond the regular workday. In accordance with N.J.A.C. 17:2-4.1, "...the compensation of a member subject to pension and group life insurance contributions and creditable for retirement and death benefits in the System shall be limited to base salary, and shall not include extra compensation." Some of the items identified as extra compensation are as follows:

- Overtime;
- Pay for extra work, duty, or service beyond the normal work day, work year (for 10-month employees), or normal duty assignments;
- Bonuses;
- Lump-sum payments for longevity, holiday pay, vacation, compensatory time, sick leave, etc.;
- Any compensation which the employee or employer has the option of including in base salary;
- Sell-backs, trade-ins, waivers or voluntary returns of accumulated sick leave, holiday pay, vacation, overtime, compensatory time, or any other payment or benefit in return for an increase in base salary;
- Individual retroactive salary adjustments, or adjustments to place a member at the maximum salary range in the final year of service, where no sufficient justification is provided that the adjustment was granted primarily for a reason other than retirement;
- Compensation in the absence of services;
- Increments or adjustments in recognition of the member's forthcoming retirement;

- Any form of compensation that is not included in the base salary of all employees in the same position or covered by the same collective bargaining agreement;
- Retroactive increments or adjustments made at or near the end of a member's service, unless the adjustment was made for all similarly situated personnel as a result of an across-the-board adjustment; and
- Any form of compensation that is not included in a member's base salary during some of the member's service and is included in the member's base salary upon attainment of a specified number of years of service.

Examples

Some examples that should clarify the subject follow:

Example #1 — *Situation: the union contract covering a group of employees stipulates that longevity will be included in base salary subject to pension deductions in the 23rd year of service. Prior to that, it will be paid outside of base salary.*

Determination: *Longevity is not considered creditable compensation because it is not pensionable when it is first received and is included in the member's base salary upon attainment of a specified number of years of service.*

Example #2 — *Situation: longevity is paid to employees beginning in their fifth year. At that time, the employee gets to make an irrevocable decision as to whether to have the longevity pay included in base salary subject to pension deductions for his entire career.*

Determination: *The longevity is not creditable compensation because its inclusion in base salary is voluntary.*

Example #3 — *Situation: longevity is paid to employees beginning in their fifth year and is included in base sal-*

ary subject to pension deductions throughout the employees' careers.

Determination: Longevity is creditable compensation because it is paid to all employees in a similar situation and is included in base salary from the first time it is paid.

Example #4 — Situation: a member in his final year of service is due \$100,000 for unused vacation and sick pay. The member agrees with the employer to accept \$50,000 included in base pay subject to pension deductions as payment for this time.

Determination: The \$50,000 is not creditable compensation as it is a trade-in or sell-back.

Example #5 — Situation: A member is covered under a bargaining agreement that does not include longevity as creditable compensation. The member is promoted and now falls under a different bargaining agreement. This agreement does include longevity as creditable compensation for all employees under that agreement.

Determination: Longevity for the newly promoted member is considered creditable compensation because it is creditable for everyone who is similarly situated, i.e., covered under the same bargaining agreement.

Board Review

The Board of Trustees may question the compensation of any member or retiree to determine if all of the reported salary is creditable whenever there is evidence that there may be extra compensation included in the base salary. If the Board determines that there is extra compensation included in the base salary, all employees and retirees affected by that contract will have their contributions on that extra compensation refunded without interest. Retirees will have their retirement benefit recalculated. Contributions remitted by the employer will not be refunded and will be retained in the retirement fund. A statement as to the creditability of salary in a

negotiated union agreement is not binding on the PERS Board of Trustees and has no effect on the Board's decision on the inclusion of that salary as pensionable compensation. N.J.S.A. 34:13A-8.1 states that negotiations cannot annul or modify any pension statute or statutes. The New Jersey Supreme Court has upheld this law and stated that public pensions are sacrosanct, i.e., they are not subject to collective bargaining agreement. The Board of Trustees is the authority on whether compensation is creditable or not for pension purposes.

To assist the PERS Board of Trustees in fulfilling its obligations to the retirement system and its membership, and assist employer compliance with the pension statutes, the NJDPB will periodically request employers to provide a copy of negotiated contracts. The NJDPB will review those contracts to help ensure that compensation practices do not violate creditable compensation guidelines.

Back Deductions

Back deductions are mandatory pension contributions subject to IRC Section 414(h). They are the pension obligations owed from the date of enrollment or transfer to the date deductions are certified to begin.

Back deductions are calculated on the member's current annual salary, regardless of when the member is enrolled. If back deductions are owed for a time period exceeding 12 months, system interest is added.

PERS Deductions are Tax-Deferred

Since January 1, 1987, mandatory pension contributions have been federally tax-deferred. Under the 414(h) provisions of the IRC, this reduces a member's gross wages subject to federal income tax. Purchases of service credit are voluntary pension contributions and are not tax-deferred, unless funded by a rollover from another tax-deferred plan.

CERTIFICATION OF PAYROLL DEDUCTIONS

When enrollment processing is complete, you will receive a *Certification of Payroll Deductions* indicating when to begin deductions, the rate of contribution, and any back deductions.

Note: Deductions, including regular pension contributions and back deductions, may begin only when a *Certification of Payroll Deductions* is received from the NJDPB.

INTERFUND AND INTRAFUND TRANSFERS

Interfund Transfers

For employees who change jobs and accept positions that require enrollment in a different retirement system. This applies even if the employer remains the same.

Statutes permit any member of a different State-administered retirement system (TPAF, PFRS, SPRS, etc.) the option to transfer membership into the PERS if the member obtains a PERS-eligible position.

Example: If a teacher (TPAF) accepts a position in a neighboring school district as a teacher's aide (PERS), he/she may be eligible to transfer membership from the TPAF to the PERS.

Interfund transfers are limited to pension systems administered by the State of New Jersey. Members who are actively contributing simultaneously to two separate State-administered retirement systems are not eligible for an interfund transfer; they would be considered "dual members" for pension purposes.

Note: An interfund transfer may be processed if a period of three years of service or less is concurrent between PERS and TPAF accounts, and the member is no longer actively contributing to the TPAF account. In such a case, only the non-concurrent service – that is, service not credited under both accounts – may be transferred. Members who were enrolled in the SPRS or the PFRS

may not do an interfund transfer to the PERS if there is any period of concurrent service.

Required Forms

1. A PERS *Enrollment Application* submitted through EPIC;* and
2. An *Application for Interfund Transfer*, which must be filled out by the member (Part One) and the former employer (Part Two), who is required to return it to the member. The *Application for Interfund Transfer* should then be submitted to the NJDPB.

**If a member is ceasing employment at a State-biweekly location in a different pension fund and beginning PERS-covered employment in a State-biweekly location, please complete a paper PERS Enrollment Application and submit it to the NJDPB along with the Application for Interfund Transfer.*

In situations where the employer remains the same but the member is transferring to a different retirement system due to a title change, the employer must stop remitting contributions under the former system once the employee becomes eligible for membership in the second system and wait for a *Certification of Payroll Deductions* for the new retirement system

Note: Interfund transfers are optional. The NJDPB often receives a new *Enrollment Application* but does not receive an *Application for Interfund Transfer*. An *Application for Interfund Transfer* must be received within 30 days of the date the member meets the eligibility requirements to enter the PERS; therefore, it is important that you notify any employee eligible for enrollment in the PERS of this option if he or she was a member of a different State-administered pension fund.

Intrafund Transfers (“Reports of Transfer”)

For employees who change employers and accept positions covered by the same retirement system.

All active PERS members who change employers, but continue employment in the PERS, are immediately eligible to continue membership regardless of temporary or permanent status in the new position, as long as Membership Tier and Social Security requirements are met.

The employee's membership should be in good standing and the account cannot be withdrawn or expired. If the account has been withdrawn or has expired, a new *Enrollment Application* must be completed.

Required Form

A *Report of Transfer* form must be completed by the new employer.

The NJDPB will process the *Report of Transfer* and will send a *Certification of Payroll Deductions* to the new employer indicating the date pension deductions must begin for the transferring employee.

The new employer must wait for a *Certification of Payroll Deductions* from the NJDPB before commencing pension deductions. Back deductions will be certified for the member to make up for any delay in normal pension contributions.

VETERAN STATUS

The definition for those who qualify for veteran status used here is based upon N.J. Statutes for N.J. State pension purposes only.

A veteran is a person who holds an honorable discharge from the military services of the United States who served the required amount of active duty service during specified periods. It is important that those who qualify for veteran status for pension purposes establish veteran status well in advance of retirement with the New Jersey Department of Military & Veteran's Affairs — see the *Veteran Status* Fact Sheet for more information.

CREDIT FOR MILITARY SERVICE AFTER ENROLLMENT

The federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) provides that a member who leaves employment to serve on active duty is entitled to certain pension rights upon return to employment with the same employer. If the member makes the pension contributions that would have been normally required upon return and within the specific time frames specified under USERRA, the military service will count for vesting, retirement eligibility, the calculation of the retirement benefit and, if applicable, health benefits eligibility, as though the employee had not left.

When an employee returns from uniformed military service to PERS-covered employment, the employer should notify the NJDPB no later than 30 days after the employee's return by submitting a *Request for USERRA-Eligible Service* form. Once notified, the NJDPB will provide the employee with a quotation for the cost for purchasing the service credit.

Note: There is a time-sensitive element to the USERRA purchase which differs from the other purchase of service credit provisions available to PERS members.

For members of the PERS who enter active military service following enrollment, any purchases, loans, back deductions or other obligations to the retirement systems incurred prior to active military service shall not bear interest at a rate exceeding six percent for the entire duration of the member's active military service. Interest in excess of six percent per year will be waived. For more information about military service after enrollment, please see the *USERRA — Military Service after Enrollment* Fact Sheet.

Purchase of Service Credit

OVERVIEW

A member's retirement allowance is based in part on the amount of service credit posted to the member's account at the time of retirement. It may be beneficial, therefore, to purchase eligible service credit in order to enhance retirement benefits or to qualify for certain types of retirement.

WHO MAY PURCHASE SERVICE CREDIT?

Only members who have active accounts in one of the State-administered retirement systems are permitted to purchase service credit. Members may request purchases while on a leave of absence or after termination, as long as their accounts have not expired.

Normally, an account is no longer considered active:

- Two years after the end of a leave of absence (from which a member does not return);
- Two years after the date of the last contribution; or
- 30 days after a retirement date or Board approval date — whichever is later.

Whether or not they are vested, members have two years from the date of the last contribution, or two years from the end of a leave of absence, to make purchase requests. Vested members who are inactive for more than two years are not considered active and, therefore, not permitted to request to purchase service credit.

WHAT TYPES OF SERVICE ARE ELIGIBLE FOR PURCHASE?

Temporary Service (A Shared Cost Purchase)

Members are eligible to purchase all or a portion of service credit for temporary, provisional, or substitute employment if the employment was continuous and immediately preceded a permanent or regular appointment. In addition:

- Members are allowed to purchase temporary service rendered under a former account.
- Part-time, hourly, and substitute service may be eligible for purchase and must be certified by the employer to determine if the service rendered is eligible.
- Service with the Job Training Partnership Act (JTPA) or any of its successors (i.e., Workforce Investment Act) is not eligible.
- Intermittent employment may be eligible for purchase under some circumstances.

Leave of Absence without Pay (A Shared Cost Purchase)

Members are eligible to purchase all or any portion of service credit for official leaves of absence without pay. The amount of time eligible for purchase also depends on what type of leave was taken:

- Up to two years may be purchased for leaves taken for personal illness.
- Up to three months may be purchased for leaves taken for personal reasons.

Conditions that pertain to the purchase of eligible leaves of absence:

- Each leave of absence must be shown to have been approved in advance.
- A leave of absence without pay under a former membership may be eligible for purchase.
- An employee who is paid 10 months per year who was on an approved leave that includes the month of September may be allowed to purchase service for the months of July and August as part of the leave of absence, up to a maximum of five months.
- Employers have to certify the amount of time a member was under a doctor's care for leaves for personal illness.

- Employees are eligible for up to three months for leave for personal illness for maternity. If a leave is in excess of three months, it must be certified by a physician that the member was disabled beyond three months due to the pregnancy.
- Child care leave is considered a leave for personal reasons and is limited to three months maximum that is eligible for purchase.

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

Leave of Absence for Service with Public Employee Unions (A Full Cost Purchase)

N.J.S.A. 43:15A-39.1 permits members to take paid and unpaid leaves of absence for service with public employee unions and also allows full cost purchases of PERS credit for the period of leave.

To purchase a leave of absence as a union officer or representative, a PERS member must complete and submit all required documents to the Purchase Section of the NJDPB within 30 days after the quarter ends. For example, the first quarter covers January 1st through March 31st. Therefore, the documents must be received no later than April 30th. Failure to submit all required documents according to the prescribed time frame will irrevocably void any eligibility for this quarter under the Leave of Absence — Union Representation Laws.

Required forms:

- *Application to Purchase Service Credit — Union Representation*
- *Employer Verification of Leave of Absence for Union Representation*

**Former Membership Service
(A Shared Cost Purchase)**

Members are eligible to purchase all or a portion of the service credited under a previous membership (PERS, TPAF, PFRS, SPRS), provided that the previous account has been terminated after two continuous years of inactivity in accordance with statute, or by withdrawal of the member contributions made under such membership.

Out-of-State Service (A Shared Cost Purchase)

PERS 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, provided the service rendered would have been eligible for credit in a N.J. State-administered retirement system. This service is only eligible for purchase if the member is not receiving or eligible to receive retirement benefits from the out-of-state public pension fund.

Note: Effective November 1, 2008, Out-of-State service credit cannot be used to qualify for employer-paid health benefits in retirement for members of the PERS. However, the purchase may be used to increase a member's monthly retirement allowance.

U.S. Government Service (A Full Cost Purchase)

PERS members are eligible to purchase up to 10 years of credit for civilian service rendered with the U.S. government if the public employment would have been eligible for credit in a N.J. State-administered retirement system. This service is only eligible for purchase if the member is neither receiving nor eligible to receive retirement benefits from the federal government based in whole or part on this service.

Note: Effective November 1, 2008, U.S. Government service credit cannot be used to qualify for employer-paid health benefits in retirement for members of the PERS. However, the purchase may be used to increase a member's monthly retirement allowance.

**Military Service before Enrollment
(A Full Cost Purchase)**

Members of the PERS are eligible to purchase credit for up to 10 years of honorable, active military service rendered prior to enrollment, provided the member is not receiving or eligible to receive a military pension, or a pension from any other state or local source for such military service.

A member who qualifies as a veteran may be eligible to purchase an additional five years of military service rendered during periods of war for an aggregate of 15 years of service outside New Jersey (Out-of-State, Military, and U.S. Government Service). The member must provide a *DD-214 Form — Certificate of Active Duty Service* identifying such service as active duty.

Military Service after Enrollment

See the "Credit for Military Service after Enrollment" section.

Optional Service (A Shared Cost Purchase)

A PERS member who served in a position where enrollment was optional, and who elected not to become a member of the PERS at the time, may purchase that public service for credit under his or her active account. Service from the following categories may be considered for an "optional service" purchase:

- Non-veterans hired prior to July 1, 1966, or the date the employer adopted the resolution to be covered under the PERS, whichever is earlier;

- Non-veteran elected officials, provided they have not established membership in the retirement system through other public employment;
- Non-veteran State employees in the classified service on December 1, 1954;
- Any part-time school crossing guard receiving periodic retirement benefits from the federal government, military, or civilian pensions (including Social Security); or
- Any employee receiving periodic retirement benefits from any other state.

Uncredited Service (A Shared Cost Purchase)

PERS members are eligible to purchase all or a portion of any regular employment with a N.J. public employer for which the member does not have retirement credit, and for which pension membership would have been compulsory.

**Local Retirement System Service
(A Full Cost Purchase for the PERS)**

PERS members are eligible to purchase all or a portion of service credit established within a local retirement system in New Jersey if they were ineligible to transfer that service to the PERS upon enrollment. This service is only eligible for purchase if the member is not receiving or eligible to receive retirement benefits from that public pension fund.

COST AND PROCEDURES FOR PURCHASING SERVICE CREDIT

Shared vs. Full Cost Purchases

The cost of a purchase is based on the member's nearest attained age at the time the NJDPB receives a purchase request, and the highest reported yearly salary as a member of the retirement system. The cost of the purchase will rise with an increase in the member's age and/or salary.

A **shared cost** purchase is one where the total is shared equally between the member and the employers across the State. The member will pay the cost of purchase through payroll deductions ("arrear"), by a lump-sum payment, or a combination of both. The employers will pay their share based upon an actuarial assessment that depends on the future liability the pension fund will face given the increased retirement benefit the purchased service will secure for the member at retirement. The employer share of each purchase cost will be indexed based upon the relative size of each employer's workforce.

A **full cost** purchase is one where the member is responsible for the total cost of the purchase. There is no employer liability. When statute specifically provides that the employer shall not be liable for any costs of the purchase, the member must pay the full cost.

Estimating the Cost of Purchasing Service Credit

The following types of service credit may be purchased on a shared cost basis: Temporary Service; Former Membership in a New Jersey State-administered Retirement System; Unpaid Leaves of Absence; Out-of-State Service; Optional Service; and Uncredited Service. To estimate the cost of a shared cost purchase:

- Members applying for a purchase fewer than 30 days before their retirement date or Board of Trustees approval date. The member must request a paper Purchase Application by emailing: pensions.nj@treas.nj.gov An application will be provided upon verification of the Board or retirement date status. Members without a valid board or retirement date will be instructed to apply using MBOS.
- Multiply the Purchase Factor corresponding to the nearest age of the member by the current annual salary or highest reported fiscal-year's salary as a member (whichever is higher); this equals the cost of purchasing one year of service credit.
- Multiply the cost of one year of service credit by the number of years the member is eligible to purchase; this equals the total estimated cost of the purchase.

The following types of service credit may be purchased on a full cost basis: Military Service before Enrollment, U.S. Government Civilian Service, and Local Retirement System Service. To estimate the cost of a full cost purchase:

- Multiply the estimated cost of a shared cost purchase by two to obtain the estimated full cost purchase price.

A *Purchase Estimate Calculator* is available on MBOS.

PERS: Age Factor Table for Purchasing Service Credit.	
<i>The cost factors have been rounded so the actual cost may vary.</i>	
Age at Purchase	Purchase Factor
20	0.031
21	0.032
22	0.032
23	0.033
24	0.033
25	0.033
26	0.034
27	0.034
28	0.035
29	0.036
30	0.036
31	0.037
32	0.037
33	0.038
34	0.039
35	0.039
36	0.040
37	0.041
38	0.042
39	0.043
40	0.044
41	0.045
42	0.046
43	0.047
44	0.048
45	0.049
46	0.050

PERS: Age Factor Table for Purchasing Service Credit. <i>The cost factors have been rounded so the actual cost may vary.</i>	
Age at Purchase	Purchase Factor
47	0.051
48	0.052
49	0.054
50	0.055
51	0.057
52	0.058
53	0.060
54	0.061
55	0.063
56	0.065
57	0.067
58	0.069
59	0.071
60	0.073
61	0.072
62	0.071
63	0.070
64	0.068
65	0.067
66	0.066
67	0.064
68	0.063
69	0.062
70 and over	0.060

APPLICATION PROCESS

Purchasing Service Credit through MBOS Required

All purchase requests must be submitted to the NJDPB using the *Purchase Application* program of MBOS.

MBOS Purchase Application: Exceptions

Members cannot use the MBOS *Purchase Application* for the following types of purchases:

- Members applying for a purchase fewer than 30 days before their retirement date or Board of Trustees approval date. The member must request a paper *Purchase Application* by emailing: ***pensions.nj@treas.nj.gov*** An application will be provided upon verification of the Board or retirement date status. Members without a valid board or retirement date will be instructed to apply using MBOS.
- Members applying for the purchase of Military Service after Enrollment under the provisions of USERRA. To purchase this type of service, the employer must submit the *Request for USERRA-Eligible Service* form within the time frames required under the law (see the *USERRA — Military Service After Enrollment* Fact Sheet for additional information).
- Members applying for the purchase of Leave of Absence for Union Representation. This type of service must be purchased quarterly and within 30 days of the end of each fiscal quarter. Information and instructions are available on the *Application to Purchase Service Credit for Union Representation*.

Please note that these are the only circumstances where paper purchase requests are permitted. Paper applications received by mail will not be processed and

the member will be mailed instructions on submitting the request through MBOS.

The employer may be responsible for completing the *Employment Verification Form*.

Issuance of Quote Letter and Purchase Authorization

If the NJDPB determines that service credit is eligible for purchase, a letter quoting the cost to purchase service and an authorization form will be mailed to the member. In order to authorize the purchase, the member must return a completed authorization form to the NJDPB. PERS members can also authorize payroll deductions and make changes to the payment or the service period via MBOS using the *Purchase Authorization* application.

Purchase authorizations must be made before the date specified on the *Purchase Cost Quotation Letter*. If a member is not interested in purchasing service credit, no response is required.

PAYMENT OPTIONS

An actively contributing member who elects to authorize a purchase of service credit has the following options to pay for the purchase:

- In one lump-sum payment;
- By having extra payroll deductions withheld from regular pay. The minimum deduction is equal to one-half of the full rate of contribution to the pension system over a maximum period of 10 years, and includes interest at the assumed rate of return of the retirement system (except for members who enter active military service following enrollment);
- By paying a single down payment of any amount, and having the remainder paid through payroll deductions; or
- With a direct rollover or trustee-to-trustee transfer

of tax-deferred funds from a qualified retirement plan.

Inactive members, or members who indicate on their application that they intend to terminate membership or retire within six months of the request date, may only pay for purchases by making a lump-sum payment.

Direct Rollover or Trustee-to-Trustee Transfer of Funds

In some cases, PERS members may pay for the purchase of additional service credit through a direct rollover of funds from a qualified retirement savings plan (or trustee-to-trustee transfer). The types of plans eligible for direct rollover (or trustee-to-trustee transfer) include:

- 401(a) qualified plan, including a 401(k) plan, and a 403(a) qualified annuity;
- 403(b) — tax-sheltered annuity plan;
- 457(b) — State and local government deferred compensation plan; and
- IRA — with tax-deferred funds:
 - Traditional IRA;
 - Simple IRA (must be over two years old);
 - Simplified Employee Pension Plan (SEP);
 - Conduit IRA; and
 - Rollover IRA.

The NJDPB cannot accept rollovers from a Roth IRA or a Coverdell Education Savings Account (formerly known as an Education IRA).

Members who are unsure about whether their plan is eligible for this type of rollover should consult with the administrator of their financial institution or disbursing plan.

Members must first receive a *Purchase Cost Quotation Letter* from the NJDPB before submitting a *Direct Roll-*

over/Trustee-to-Trustee Transfer of Funds for the Purchase of Additional Service Credit form.

Paying Off a Purchase Balance

A member choosing to pay for all or part of a service credit purchase through payroll deductions may elect to pay off the balance, with interest, at any time after deductions have been scheduled. To make a lump-sum payment, the member must send a written request for an “arrears payoff quotation” letter for the cash discount value of the remaining balance owed.

This request should be made to the New Jersey Division of Pensions & Benefits, Adjustments Section, P.O. Box 295, Trenton, NJ 08625-0295.

According to N.J.A.C. 17:1-4.1(b), members may make only one request for the cash discount value of an outstanding arrears balance, i.e., the balance on a service credit purchase, in a calendar year.

Cancellation and Prorating of Purchases

The administrative code governing the purchase of service credit allows for the cancellation and/or prorating of service that has been authorized using periodic payments through payroll deductions. Written requests should be made to the New Jersey Division of Pensions & Benefits, Adjustments Section, P.O. Box 295, Trenton, NJ 08625-0295.

Cancellations will be processed under the following conditions:

- The cancellation and prorating will be projected for the next available payroll certification date. This will be approximately one month for “monthly” members and three pay periods for “biweekly” members.
- The members can choose to cancel one or all purchases and can specify which purchase types they wish to have canceled.

Prorating will be performed under the following conditions:

- The member must make the request in writing, by fax, or by email (written or faxed requests must include the signature of the member. Email requests must come from an email address that bears the member’s name).
- Requests for service to be prorated for a specific future date will be accepted only from members who have a retirement application on file.
- Requests for service to be prorated for a specific projected amount of service – in order to qualify for benefits – will be accepted only from members anticipating retirement or termination of employment within the next six months.

Projected Estimates of Service

Upon request, the NJDPB will estimate the amount of service credit a member will have after the purchase is prorated. This will be done only under the following conditions:

- The NJDPB receives a written, faxed, or email request from the member.
- Only one request will be honored from a member per fiscal quarter.
- Only one future date for a prorating or cancellation will be calculated per request.

ADDITIONAL PURCHASE GUIDELINES

The following items are based on the New Jersey Administrative Code:

- Outstanding arrears balances will accrue interest. A letter will be forwarded to those members who have left their position for two years or more and still have an outstanding arrears balance. These members will have the opportunity to purchase the

remaining amount in a lump sum; however, interest will be added to the arrears balance for the cost of the purchase if the member returns to employment.

- Members paying arrears balances who have filed for bankruptcy cannot suspend their payments; however, they will be able to cancel the purchase. The member may also complete a request to purchase the same service credit again at a later date. A new cost quotation will be subject to the age, salary, and purchasing rules that apply at the later date.

Important Notes

- If the member qualifies as a non-veteran, he or she is eligible to purchase an aggregate of 10 years of service credit for work outside New Jersey (Out-of-State, Military, and U.S. Government Service).
- Out-of-State Service or U.S. Government Service, or service with a bi-state or multi-state agency, requested for purchase after November 1, 2008, cannot be used to qualify for any State-paid or employer-paid health benefits in retirement.
- If the member qualifies as a military veteran, he or she may be eligible to purchase an additional five years of military service rendered during periods of war for an aggregate of 15 years of service outside New Jersey (Out-of-State, Military, and U.S. Government Service).
- To qualify for an Ordinary Disability Retirement, members need 10 years of New Jersey service; therefore, the purchase of U.S. Government, Out-of-State, or Military Service cannot be used to qualify for this type of retirement.
- Purchases of service credit are voluntary and are

not tax-deferred unless funded by a rollover from another tax-deferred plan.

EMPLOYER RESPONSIBILITIES

1. After members submit the *Application to Purchase Service Credit* using MBOS, the Purchase Section of the NJDPB will request employment verification from the employer indicated on the application. For N.J. employers, a notification via email is sent requesting that the *Employment Verification* form be completed through EPIC. For other employers (Out-of-State, Federal Government, etc.) an *Employment Verification* form is mailed to the employer, along with a letter indicating the dates that are being requested. The employer is responsible for completing the verification form when required by the Purchase Section. The form should be completed according to instructions in order to avoid a delay in processing.

Example: *A member who was hired in a temporary or provisional status on February 6, 2014, and was not eligible to be enrolled in the pension system until February 17, 2015, may request a purchase quotation of the first year of employment. The Purchase Section would send an email to the employer requesting verification through EPIC of the member's service prior to February 17, 2015. The employer should certify the member's hire date, title, permanent appointment date, dates of employment, and salary.*

2. The information certified must be supported by official documentation. In the event that there is a question regarding the information provided, the Purchase Section may request a copy of the documentation used to verify the member's service.

3. Board of education locations are to certify time by school year (Sept – June), not by calendar year.
4. Once a member has authorized a purchase, and if payroll deductions are elected, a *Certification of Payroll Deductions* will be sent to the employer. The payments will be scheduled as arrears and the schedule should be followed as certified. If there is an existing arrears schedule, it will be automatically combined with the new purchase payment schedule.
5. Deductions for a purchase should only be taken upon receipt of a *Certification of Payroll Deductions* from the NJDPB. The schedule must be followed exactly. The only time the employer should deviate from the schedule is if the member is on an unpaid leave of absence.
6. If the member returns from a leave of absence of less than two years, the arrears schedule should be picked up automatically. If the leave of absence is longer than two years, the NJDPB should be notified so that an updated *Certification of Payroll Deductions* can be forwarded to the employer.

Loans

MEMBER ELIGIBILITY

To be eligible, members must:

- Be active, contributing members of the retirement fund.
- Have three years of contributing membership posted to their account (this usually occurs three years and three months after the date of enrollment).

Members are permitted to take out a maximum of two loans in a calendar year. The loan interest rate and administrative processing fee are set annually.

Note: Members who are off payroll may not borrow from their account.

APPLYING FOR A LOAN THROUGH MBOS

All eligible members of the PERS wishing to borrow against their pension account must submit the loan request through MBOS.

Using MBOS has many advantages:

- Members may confirm that their application was received.
- MBOS will provide the date a member's loan check will be mailed.
- MBOS will also calculate various repayment options based upon the amount borrowed.

Paper versions of the *Loan Application* will not be accepted by mail or by fax. Few exceptions apply (see the "Exceptions to Online Loan Application Requirement" section). Printed applications received by the NJDPB will be mailed back to the member with instructions on submitting the loan request through MBOS.

Exceptions to Online Application Requirement

While the majority of loan requests will require processing through MBOS, a limited number of members are not able to access the MBOS *Loan Application*. These members include:

- Retirement system members who have established a security freeze on their accounts due to an instance of identity theft (these members must contact the Identity Theft Coordinator to request a loan); and
- Employees shown in the loan processing system as inactive from payroll, including:
 - Employees who apply for a loan within six months of returning from a leave of absence;
 - Employees who apply for a loan within six months of transferring within the same retirement system to a new employer;
 - Employees whose employer was late in submitting the *Report of Contributions* for the quarterly posting; and
 - State employees who are paid on a supplemental payroll schedule.

Members shown as inactive from payroll may still be able to borrow, but a *Certified Loan Request* form must be submitted by the employer to verify the employee's active pay status (employees from a late-reporting location, after certification, may only borrow amounts based on the previously posted quarter).

How Much is Available for a Loan?

MBOS allows members to see how much they are eligible to borrow. Members can enter different loan amounts to see what the biweekly or monthly repayment amount will be, and the number of payments that will be needed.

Calling the Office of Client Services at (609) 292-7524 is another convenient way for a member to learn the amount available. The member must have his or her Social Security number and Pension Membership number on hand.

Also, the Interview Counseling Section at the Division of Pensions & Benefits, 50 West State Street, First Floor, Trenton, NJ 08608 can provide answers to all loan questions (counselors are available by appointment). Please note that counselors cannot submit the *Loan Application* for the member.

Loan Amount

Loans are made in multiples of \$10 and may not exceed one-half of the total contributions posted to a member's account. When a member has an outstanding loan balance at the time a new loan is requested, the total loan balance (old plus new loans) may not exceed one-half of total contributions or \$50,000, whichever is less when added to the highest balance of any loan in the last 12 months.

The minimum loan amount is \$50. The maximum loan available will be displayed automatically.

Loan Repayment

The minimum repayment is scheduled in equal payments, which will be equal to, or slightly greater than, the monthly or biweekly base salary multiplied by the full rate of contribution.

By law, the member cannot pay less than the minimum amount, nor may the payment amount exceed 25 percent of base salary.

If the member is paid through Centralized Payroll, the requested repayment amount on MBOS will indicate "bi-weekly." If the member is not paid through Centralized Payroll, the requested repayment amount will indicate "monthly."

IRS LOAN COMPLIANCE REGULATIONS

Maximum Balance Allowed and Maximum Repayment Period

IRC Section 72(p) requires that loan balances not exceed \$50,000 and that they be paid within five years. Further, members must make timely payments toward outstanding loan balances, regardless of employment status (i.e., "active" or "inactive"). The policies are as follows:

- If a member applies for a loan and that loan added to any existing loan balance totals \$50,000 or more, a loan check will be sent for the difference under the \$50,000 limit. The NJDPB will notify the member that the requested loan amount would have caused the loan balance to exceed the \$50,000 limit. If the member is not satisfied with the payment schedule or the check amount, the uncashed and unmarked loan check can be returned.
- Loan checks will have a maximum repayment schedule of five years. Upon taking a new loan, those members with large existing loan balances will either have an increase in the repayment schedule or may be eligible to take a smaller loan amount due to the requested payment exceeding 25 percent of the base salary per month. If the member is not satisfied with the payment schedule or the check amount, the uncashed and unmarked loan check can be returned.
- The maximum loan balance cannot exceed \$50,000, or one-half of the member's posted pension contributions, whichever is less. The \$50,000 maximum includes the amount requested combined with the highest balance due (without interest) for all existing loans that the member has due to his/her public employment, including any other governmental plans sponsored or administered by

a public sector employer during the prior 12-month period. When the member submits a loan request online using MBOS, he/she will be required to indicate whether he/she has taken a loan in the prior 12-month period (other than PERS, TPAF, PFRS, or SPRS) from plans offered by his/her public employer. It is important to maintain documentation of pension loans taken from other plans offered by his/her employer in the event of an audit. Any amounts received in excess of the maximum may be declared a deemed distribution and subject to additional tax by the IRS.

The IRS regulations also stipulate that if regular payments are not made on a pension loan, then the loan is to be considered in default and determined to be a taxable distribution to the member.

Members will be notified after three months of nonpayment (zero contributions) toward the balance of their outstanding loan, and offered the following options:

- Pay the loan off through a lump-sum payment;
- Repay the loan in monthly installments through personal billing; or
- If returning to employment, repay through employer payroll deductions.

The member must reply with a repayment selection within 30 days of receiving notification. Failure to respond within the 30-day period will result in the unpaid loan balance being declared a taxable distribution.

When a loan balance has been determined to be a taxable distribution, it is reported to the IRS. The NJDPB will send the member a *Form 1099-R* for tax filing purposes in January of the following year. The member will be required to include the portion of the loan representing before-tax contributions as income on his or her federal return. In addition, if the member is under age 59 ½, he or she will be required to pay an additional

10 percent tax for taking an early pension distribution.

A taxable distribution cannot be canceled by resuming loan payments or repaying the loan in full prior to the end of the tax year in which the deemed distribution occurs. Please note that unlike a normal pension distribution, a loan treated as a distribution cannot be rolled over to an IRA or another qualified retirement plan.

Please be advised that the outstanding loan balance being deemed a taxable distribution does not cancel the loan obligation; the loan balance, plus interest, is still due. If payments are not resumed, the balance will be recuperated at the time of withdrawal, retirement, or death of the member.

Multiple Loans

Under IRS regulations, a member taking multiple loans must repay the combined total of the outstanding balance of the original loan, plus all subsequent loans taken prior to payoff of the original loan, within five years of the issuance date of the first loan.

This loan policy does not come into play in the case of a member who takes a single loan and pays it off before taking another pension loan, but rather when a member takes additional loans while a balance on the original loan remains. In such instances, the loan repayment schedule will be set up so that the total loan balance is paid off within five years of the issuance date of the original loan, to prevent the unpaid balance from being declared a taxable distribution.

Therefore, in cases where a member takes multiple loans, it is the date of issuance of the first loan that will establish the maximum five-year payoff period for the combined outstanding balance of the original loan and all subsequent loans taken prior to payoff of the original loan.

Under the above regulations, if a member is issued a new pension loan before the first loan is paid in full, a

substantial increase in the member's repayment amount may result, in order to ensure full repayment of the total loan balance within five years of the issuance of the original loan.

Alternatively, the new loan amount requested may be reduced, so that the payroll deductions required to repay the loan within this five-year period do not exceed the 25 percent of pay restriction in State law.

PAYROLL CERTIFICATIONS

Once a loan has been processed, two copies of the *Certification of Payroll Deductions* are sent to the employer. One copy should be forwarded to the member for his/her records, while the other is retained for the employer's file. The certification contains all the pertinent information regarding the number of deductions and the amount of each deduction to be withheld from the employee's payroll check.

Employers are required to follow the instructions on the certification and begin payroll deductions as instructed on the form. Failure to comply with payroll certifications will result in additional interest charged to the member's account.

LEAVE OF ABSENCE — REVALUATION OF A LOAN SCHEDULE

If a member is off payroll and misses a scheduled loan deduction(s), any outstanding loan must be revalued and additional interest charged. To protect a member who has been on a leave of absence from having a loan balance become a taxable distribution, employers should contact the NJDPB as soon as the member returns from a leave of absence to have the loan recertified. Please contact the NJDPB, Office of Client Services, at (609) 292-7524, and opt for the Employer Menu.

CALCULATION OF AN ADDITIONAL LOAN

When a member applies for a loan and already has an existing loan balance, the present value (principal amount) of the existing loan is calculated and added to the new loan. The resulting increased obligation is scheduled in the same manner and subject to the same conditions as the original loan.

PAYMENT OF A LOAN PRIOR TO COMPLETION

An active member may make a lump-sum payment against the total value of the loan at any time. We advise that the member request the lump-sum payoff figure via MBOS, using the application "Letters and Statements." The request will generate a quote which will be mailed to the member along with the date the payment is due. Payments will not be accepted unless a payoff figure has been quoted.

The member should remit a copy of the payoff quote letter along with the payment to ensure the proper credit is made to the account.

UPON WITHDRAWAL

If a member terminates employment and chooses to withdraw all contributions from the pension fund, any outstanding loan balance must be satisfied. Usually, the NJDPB will deduct any outstanding loan balance from the amount owed the member through the return of contributions. The member may choose to pay any outstanding loan in full with a lump-sum payment in order to receive the full amount of the contribution balance on the account.

UPON RETIREMENT

If a member retires with an outstanding loan balance, the member has the option to pay off the outstanding loan balance in its entirety or to repay the loan through deductions from his/her retirement benefit until the balance of the loan together with interest is repaid. Pay-

ments will be the monthly equivalent of the amount deducted from the compensation immediately before retirement.

UPON DEATH

If a member dies before the outstanding loan balance with interest has been recovered, the remaining balance will be deducted from any benefit payable to the designated beneficiary(ies), including life insurance, return of contributions, and monthly retirement payments.

Note: Additional information regarding pension loans is available in the *Loans* Fact Sheet.

Retirements

GENERAL INFORMATION ON RETIREMENT BENEFITS

- All retirements begin on the first of a month.
- The employer/employee relationship must be completely severed — that is, the member may not render any service nor earn any salary — as of the day of retirement, even if payroll checks are still in process.
- A retirement is “due and payable” — that is, eligible for the first retirement check — 30 days after the retirement date, or 30 days after the Board of Trustees approves the retirement, whichever is later.

Membership Tiers

PERS members are classified by “membership tiers,” as N.J.S.A. 43:15A-7 makes the eligibility requirements for PERS retirement different for five distinct enrollment periods (see “Membership Tiers” in the “Enrollments” section).

Retirement eligibility requirements will be listed separately, by Tier, for each type of retirement, when differences exist.

PROOF OF AGE

If not already on file, the member must provide proof of age upon retirement. For Option A, B, C, D, 2, 3, or 4, proof of age is also required for the member’s beneficiary. Any maiden names should be identified as such. The pension number or the last four digits of the Social Security number should be indicated on any documentation that is submitted.

The retirement application will not be processed until the NJPB receives copies of birth evidence. If proof of age is not received within 90 days of the NJDPB’s receipt of the retirement application, the retirement will be

canceled and the member will need to submit another application for a future retirement date.

The following documents will be accepted as evidence for proof of age:

- Birth Certificate with visible seal;
- Passport or U.S. Passport Card;
- Current N.J. driver’s license or digital non-driver ID card issued by NJMVC;
- Current Pennsylvania or New York driver’s license; or
- Naturalization or Immigration Papers.

Unacceptable documentation includes expired documentation, out-of-state driver’s licenses (except P.A. and N.Y.), hospital birth certificates, marriage certificates, census records, baptismal records, affidavits from older family members, or military records.

RETIREMENT ESTIMATES

Most retirement applications require three to four months processing time from the date the application and retirement certification are received for calculation, Board approval, preparing the retirement account, and receiving the first check. Changes to retirement selections can often cause delays in processing and can delay payment of a member’s first retirement check.

The simplest way to avoid unnecessary delays in processing a retirement is to ensure the member has as much information as possible concerning the retirement process and what to expect in retirement. A retirement estimate is a valuable planning tool and can be obtained easily. The member can choose to:

- Use MBOS;
- Call the Automated Information System at (609) 292-7524; or

- Schedule an interview appointment at the NJDPB at 50 West State Street, Trenton, NJ.

Estimates done through MBOS are the same as those obtained through pension counselors. The NJDPB suggests that members obtain an estimate at least six months prior to an anticipated retirement date. There is no obligation to retire when a retirement estimate is requested since it is a planning tool, not an application for benefits. Many members compare estimates based on different projected dates of retirement, retirement types, and options. Retirement estimates may be obtained for any eligible date up to two years in advance.

SERVICE, EARLY, VETERAN, AND DEFERRED RETIREMENTS

Member Responsibilities

- Complete and submit the *Retirement Application* through MBOS at least three to four months in advance of the retirement date.
- Service and Early Retirees can submit applications up to one year prior to the retirement date. Deferred Retirees can submit applications as soon as they terminate employment.
- Submit proof of age for member.
- Submit proof of age for beneficiary, if Option A, B, C, D, 2, 3, or 4 is selected.
- For Veteran Retirement, the member must provide *Form DD-214* to the Department of Military and Veterans Affairs to prove veteran’s status well in advance of retirement.

Employer Responsibilities

Complete and submit the *Certification of Service and Final Salary* via EPIC as soon as possible upon learning of the member's retirement.

Submit copies of indictments, convictions, and/or preliminary and final notices of disciplinary action if you certified that the former employee was dismissed with charges.

Final Average Salary (FAS)

For Tier 1, 2, and 3 Members: Final Average Salary (FAS) is the last 36 months of pensionable salary (30 months for 10-month members), or the highest three Fiscal Years (July 1 – June 30). Fiscal Years do not have to be consecutive. Members should note on the *Retirement Application* if the last three years are not the highest years.

For Tier 4 and 5 Members: Final Average Salary (FAS) is the last 60 months of pensionable salary (50 months for 10-month members), or the highest five Fiscal Years (July 1 – June 30). Fiscal Years do not have to be consecutive. Members should note on the *Retirement Application* if the last five years are not the highest years.

Retirement Eligibility and Benefit Formulas

Members must meet all eligibility requirements upon termination of employment. The following charts provide details on eligibility requirements and benefit formulas.

Service Retirement	
Tiers 1 and 2 Eligibility	Age 60 or older, any number years of service.
Benefit Formula	Years and Months of Service ÷ 55 x FAS = Annual Maximum.
Tier 3 Eligibility	Age 62 or older, any number years of service.
Benefit Formula	Years and Months of Service ÷ 55 x FAS = Annual Maximum.
Tier 4 Eligibility	Age 62 or older, any number years of service.
Benefit Formula	Years and Months of Service ÷ 60 x FAS = Annual Maximum.
Tier 5 Eligibility	Age 65 or older, any number years of service.
Benefit Formula	Years and Months of Service ÷ 60 x FAS = Annual Maximum.
Note	Maximum monthly benefit is Annual Maximum divided by 12.

Early Retirement	
Tiers 1 Eligibility	Under age 60 with 25 or more years of service.
Benefit Formula	Same calculation as a Service Retirement. For members who retire before age 55, allowance is permanently reduced 1/4 of 1 percent for each month (3 percent per year) under age 55.
Tier 2 Eligibility	Under age 60 with 25 or more years of service.
Benefit Formula	Same calculation as a Service Retirement. For members who retire before age 60, allowance is permanently reduced 1/12 of 1 percent for each month (1 percent per year) under age 60 but over age 55, and 1/4 of 1 percent for each month (3 percent per year) under age 55.
Tier 3 Eligibility	Under age 62 with 25 or more years of service.
Benefit Formula	Same calculation as a Service Retirement. For members who retire before age 62, allowance is permanently reduced 1/12 of 1 percent for each month (1 percent per year) under age 62 but over age 55, and 1/4 of 1 percent for each month (3 percent per year) under age 55.
Tier 4 Eligibility	Under age 62 with 25 or more years of service.
Benefit Formula	Same calculation as a Service Retirement. For members who retire before age 62, allowance is permanently reduced 1/12 of 1 percent for each month (1 percent per year) under age 62 but over age 55, and 1/4 of 1 percent for each month (3 percent per year) under age 55.
Tier 5 Eligibility	Under age 65 with 30 or more years of service.
Benefit Formula	Same calculation as a Service Retirement. For members who retire before age 65, allowance is permanently reduced 1/4 of 1 percent for each month (3 percent per year) under age 65.
Note	Maximum monthly benefit is Annual Maximum divided by 12.

Veteran Retirement	
<i>The eligibility requirements and benefit formulas for calculating a Veteran Retirement are the same for all membership Tiers.</i>	
Eligibility #1	<ul style="list-style-type: none"> • Age 55 or older with 25 or more years of service; or • Age 60 or older with 20 or more years of service.
Benefit Formula	54.5% x Final or Highest Salary = Annual Maximum.
Eligibility #2	35 or more years of service.
Benefit Formula	Years and Months of Service ÷ 55 x Highest Salary = Annual Maximum.
Notes	<ul style="list-style-type: none"> • Maximum monthly benefit is Annual Maximum divided by 12. • Final Salary = Last 12 months (10 months if applicable) base salary; • Highest Salary = Highest 12 consecutive months (10 months if applicable) base salary.

Deferred Retirement	
Tiers 1 and 2 Eligibility	10 or more years of service. Retirement is effective on the first day of the month after attaining age 60 .
Benefit Formula	Same calculation as a Service Retirement.
Tier 3 Eligibility	10 or more years of service. Retirement is effective on the first day of the month after attaining age 62 .
Benefit Formula	Same calculation as a Service Retirement.
Tier 4 Eligibility	10 or more years of service. Retirement is effective on the first day of the month after attaining age 62 .
Benefit Formula	Same calculation as a Service Retirement.
Tier 5 Eligibility	10 or more years of service. Retirement is effective on the first day of the month after attaining age 65 .
Benefit Formula	Same calculation as a Service Retirement.
Notes	<ul style="list-style-type: none"> • Maximum monthly benefit is Annual Maximum divided by 12. • Deferred Retirements can only change their options up to one month prior to their effective retirement date.

DISABILITY RETIREMENTS

Ordinary Disability Retirement

Ordinary Disability Retirement is not available for membership Tiers 4 and 5. The eligibility requirements and benefit formulas are the same for Tiers 1, 2, and 3.

Eligibility	<ul style="list-style-type: none"> • Member must be totally and permanently disabled from doing normal job duties. • Application must be made within two years of termination date. • Members must have a minimum of 10 years of New Jersey service credit (Out-of-State, Military, and Federal government purchases are not considered New Jersey service credit).
Benefit Formula	<p>Higher calculation of the following formulas:</p> <ul style="list-style-type: none"> • $43.6\% \times \text{FAS} = \text{Annual Maximum}$; or • $1.64\% \times \text{Years of Service} \times \text{FAS} = \text{Annual Maximum}$.
Member Responsibilities	<ul style="list-style-type: none"> • Complete a <i>Retirement Application</i> at least four to six months in advance. Applications must be completed through MBOS. • Supply proof of age for member. • Submit proof of age for beneficiary if Option A, B, C, D, 2, 3, or 4 is selected. • Have medical providers complete the <i>Medical Examination by Personal or Treating Physician</i> forms. Forms from at least two treating physicians are required. Alternatively, one of these forms may be substituted with a completed <i>Authorization to Disclose Hospital Records</i> from a hospital stay related to the disability. • Complete the <i>Authorization for Release of Information (HIPAA)</i>. • Note: Once the PERS Board of Trustees grants approval for a Disability Retirement, the member may only cancel the retirement by submitting a letter to the Disability Review Section, with a written statement from his/her physician expressing that the member can return to work. The Disability Review Section will then send the member for an Independent Medical Examination (IME), and all medical information will again be submitted to the Medical Review Board. Once all of the above information is received, the Board of Trustees will make a determination of whether the member is able to return to work or not.
Employer Responsibilities	<ul style="list-style-type: none"> • Complete the <i>Employer Certification for Disability Retirement</i> through EPIC as soon as possible upon learning of member's retirement. • Submit copy of the Job Description. • If you certified that the former employee was dismissed with charges on the <i>Employer Certification for Disability Retirement</i>, please submit copies of indictments, convictions, and/or preliminary and final notices of disciplinary action. • For Involuntary Disability Retirement: The employer is responsible for submitting the application through EPIC, selecting the "Maximum" option and the "Estate" as the beneficiary. A letter from the Head of the Department addressed to the NJDPB is also required, stating that, in the employing authority's opinion, the member is "totally and permanently disabled" from fulfilling his or her job duties. The employer must submit attendance records, along with any pertinent medical records. <p>Local Employers must submit a resolution, authorizing the employing location to process an Involuntary Disability Retirement application.</p> <p>When an employer submits a <i>Retirement Application</i> for a member's Involuntary Disability Retirement, the member may not change the date of retirement indicated by the employer. If approved, the member will have 30 days following Board approval to revise the option and beneficiary designation.</p>
Notes	<ul style="list-style-type: none"> • Maximum monthly benefit = Annual Maximum divided by 12. • All changes to applications must be done through MBOS. • Under the provisions of <u>N.J.S.A. 43:15A-42.1</u>, PERS members under Tiers 4 and 5 may be eligible for disability insurance coverage. For more information, see the <i>Long-Term Disability for PERS and TPAF Tiers 4 and 5</i> Fact Sheet. • FAS (Final Average Salary) is last 36 months of pensionable salary (30 months for 10-month members), or highest 3 Fiscal Years (July 1 – June 30). Fiscal Years do not have to be consecutive.

Accidental Disability Retirement	
<i>Accidental Disability Retirement is not available for membership Tiers 4 and 5. The eligibility requirements and benefit formulas are the same for Tiers 1, 2, and 3.</i>	
Eligibility	<ul style="list-style-type: none"> Member must be totally and permanently disabled as a "direct result of a traumatic event" while doing the member's normal job duties. Application must normally be made within five years of accident date. Must be an active member on or before the date of the traumatic event.
Benefit Formula	72.7% x Salary at Time of Accident = Annual Maximum.
Member Responsibilities	<ul style="list-style-type: none"> Complete a <i>Retirement Application</i> through MBOS at least six to eight months in advance. Supply proof of age for member. Submit proof of age for beneficiary if Option A, B, C, D, 2, 3, or 4 is selected. Have medical providers complete the <i>Medical Examination by Personal or Treating Physician</i> forms. Forms from at least two treating physicians are required. Alternatively, one of these forms may be substituted with a completed <i>Authorization to Disclose Hospital Records</i> from a hospital stay related to the disability. Complete the <i>Authorization for Release of Information (HIPAA)</i>. Attend an Independent Medical Examination (IME), scheduled at no cost to the member. Note: Once the PERS Board of Trustees grants approval for a Disability Retirement, the member may only cancel the retirement by submitting a letter to the Disability Review Section, with a written statement from his/her physician expressing that the member can return to work. The Disability Review Section will then send the member for an IME, and all medical information will be again submitted to the Medical Review Board. Once all of the above information is received, the Board of Trustees will make a determination of whether the member is able to return to work.
Employer Responsibilities	<ul style="list-style-type: none"> Complete the <i>Employer Certification for Disability Retirement</i> through EPIC as soon as possible upon learning of member's retirement. Submit copy of the Job Description. If you certified that the former employee was dismissed with charges on the <i>Employer Certification for Disability Retirement</i>, please submit copies of indictments, convictions, and/or preliminary and final notices of disciplinary action. Submit copies of accident reports, incident reports, witness statements, medical records relating to the incident, and other related documents. Submit copies of Workers' Compensation awards. For Involuntary Disability Retirement: The employer is responsible for submitting the application through EPIC, selecting the "Maximum" option and the "Estate" as the beneficiary. A letter from the Head of the Department addressed to the NJDPB is also required, stating that, in the employing authority's opinion, the member is "totally and permanently disabled" from fulfilling his or her job duties. The employer must submit attendance records, along with any pertinent medical records. <p>Local Employers must submit a resolution, authorizing the employing location to process an Involuntary Disability Retirement application.</p> <p>When an employer submits a <i>Retirement Application</i> for a member's Involuntary Disability Retirement, the member may not change the date of retirement indicated by the employer. If approved, the member will have 30 days following Board approval to revise the option and beneficiary designation.</p>
Notes	<ul style="list-style-type: none"> Maximum monthly benefit is Annual Maximum divided by 12. All changes to applications must be done through MBOS. Under the provisions of <u>N.J.S.A. 43:15A-42.1</u>, PERS members under Tiers 4 and 5 may be eligible for disability insurance coverage. For more information, see the <i>Long-Term Disability for PERS and TPAF Tiers 4 and 5</i> Fact Sheet.

PENSION OPTIONS

At the time of retirement, members of the PERS may name a beneficiary on the *Retirement Application* to receive pension benefits after their death.

Note: Once the pension is due and payable, the option cannot be changed. The pension becomes due and payable 30 days after the retirement date, or 30 days after the Board of Trustees approves the retirement, whichever occurs later.

There are nine retirement allowance options available:

Maximum Option

The Maximum Option pays the highest monthly pension allowance of all of the options available, for the lifetime of the member.

- There is no monthly pension allowance paid to a beneficiary when the member dies.
- The member names a beneficiary on the *Retirement Application*. If the member dies before receiving the balance of his or her contributions to the pension system in the form of the monthly pension allowance, the balance of contributions is paid to the named beneficiary, along with the last check.
- One or more beneficiaries can be named, and the beneficiary may be a person, a charity, an institution, or the member's estate.
- Proof of age is required for the member only.
- The beneficiary can be changed at any time before and after retirement.

Options A, B, C, and D

Under Options A, B, C, and D, the member receives a smaller lifetime monthly benefit than that provided under the Maximum Option so that, upon the member's death, a beneficiary will receive a lifetime benefit. Only one person can be named as beneficiary.

If the member dies after retiring, the named beneficiary receives 100 percent (Option A), 75 percent (Option B), 50 percent (Option C), or 25 percent (Option D) of the member's monthly pension allowance for life.

If the beneficiary predeceases the member, the member's pension increases to the amount payable under the Maximum Option, which the member receives for the remainder of his or her lifetime.

- Only one beneficiary can be named, and the beneficiary must be an individual, not a charity, an institution, or an estate.
- Proof of age for both the member and the beneficiary must be submitted.
- If the member names someone other than a spouse as a beneficiary for Options A or B, the chosen beneficiary cannot be more than 10 years younger (Option A) or 19 years younger (Option B) than the member, as determined by IRS regulations.*
- The age of the beneficiary affects the benefit payable. The younger the beneficiary, the greater the reduction in pension benefit payable to the member, whether or not the beneficiary is a spouse.
- Once the pension is due and payable, the named beneficiary cannot be changed.
- If the beneficiary predeceases the member, the member cannot designate another beneficiary to receive a monthly pension upon his or her death. However, a new beneficiary may be named for any return of contributions payable and last check benefit.

Option 1

This option provides a lifetime monthly allowance to the member, with a reserve amount calculated at retirement based on the member's retirement allowance and life expectancy. If the member dies before receiving the entire retirement reserve, the amount of money remaining in the retirement reserve is paid to the beneficiary(ies).

Example:

\$100,000 Reserve Fund at retirement — \$60,000 total monthly benefits paid to retired member = \$40,000 paid to beneficiary after member's death;

or

\$100,000 Reserve Fund at retirement — \$124,000 total monthly benefits paid to retired member = \$0 paid to beneficiary after member's death, since the entire Reserve Fund was paid to the member.

- One or more beneficiaries may be named, and the beneficiary may be a person, a charity, an institution, or the member's estate.
- Proof of age is required for the member only.
- The beneficiary can be changed at any time before and after retirement.
- The member will continue to receive the same lifetime benefit, even if he or she outlives the reserve.

Options 2 and 3

Under Options 2 and 3, the member receives a smaller lifetime monthly benefit than that provided under the Maximum Option so that, upon the member's death, a beneficiary will receive a lifetime benefit. If the member dies after retiring, the named beneficiary receives 100 percent (Option 2) or 50 percent (Option 3) of the member's monthly pension allowance for life.

- Only one beneficiary may be named, and the beneficiary must be an individual, not a charity, an institution, or an estate.
- Proof of age for both the member and the beneficiary must be submitted.
- If the member names someone other than a spouse as a beneficiary for Option 2, the chosen beneficiary cannot be more than 10 years younger than the member, as determined by IRS regulations.*
- Once the pension is due and payable, the named beneficiary cannot be changed.
- Unlike Options A, B, C, and D, if the named beneficiary dies before the member, the member continues to receive the same reduced pension allowance; the allowance does not increase to the Maximum benefit.

Option 4

Under Option 4, the member receives a smaller lifetime monthly benefit than that provided under the Maximum Option so that, upon the member's death, a beneficiary will receive a lifetime benefit. If the member should pass away after retiring, the named beneficiary receives a pre-determined monthly allowance, which is less than the member's monthly pension allowance.

- One or more beneficiaries can be named, but the beneficiaries must be individuals, not a charity, an institution, or the member's estate.
- The member specifies a specific dollar amount to be paid monthly to the beneficiary(ies) upon the member's death. The amount must not be greater than the member's own allowance.
- Proof of age for both the member and the beneficiary(ies) must be submitted.
- If the member names someone other than a spouse

as a beneficiary, and if the dollar amount specified for that beneficiary is more than half of the member's monthly allowance, age restrictions apply as determined by IRS regulations.*

- Once the pension is due and payable, the named beneficiary(ies) cannot be changed.
- If the named beneficiary(ies) dies before the member, the member continues to receive the same reduced pension allowance; the allowance does not increase to the Maximum benefit.

**Since the IRS is a federal agency, a civil union partner or domestic partner as defined under New Jersey State law does not qualify as a spouse under these circumstances and would be subject to the age limitations described.*

MAKING CHANGES TO THE RETIREMENT APPLICATION

In order to change the retirement date, type, option selection, or to cancel the retirement, the member must access the previously submitted application through MBOS. The member must then cancel the retirement and, if making changes, resubmit a new application. These changes can only be made before the retirement is due and payable. If the employee applied for a Disability Retirement that has been approved by the Board of Trustees, the employee cannot change the retirement date or cancel the retirement.

Note: If an employee elects to change his/her retirement date, you must complete the *Change of Retirement Employer Certification* through EPIC. For changes to the employee's retirement type, option selection, or if canceling retirement, the employer certification is not required.

WAIVERS AND REINSTATEMENTS OF RETIREMENT BENEFITS

Some retirees choose to waive a portion or all of their retirement allowance in order to become eligible for low-income benefits or housing. In order to waive retirement benefits, the retiree completes and signs a form indicating the amount he or she wishes to be waived.

This waiver form is available by contacting the New Jersey Division of Pensions & Benefits, Attn: Retirement Bureau, P.O. Box 295, Trenton, NJ 08625-0295

In the event that the minimum earnings threshold increases, the retiree can request that a lesser amount or no amount of the retirement allowance be waived for future retirement checks.

Faxed requests are not acceptable to initiate or discontinue a waiver of retirement benefits.

If a retiree waives a portion or all of his or her retirement allowance, the portion waived can never be recouped by the retiree, a beneficiary, or the retiree's estate.

Note: The gross monthly pension (before the portion waived is applied) is the amount used to determine Medicaid eligibility.

Group Life Insurance Coverage

NONCONTRIBUTORY GROUP LIFE INSURANCE

Noncontributory Group Life Insurance is underwritten by the Prudential Insurance Company of America, Inc., and is provided as a result of pension membership. There is no cost to the members for this coverage. The State Treasurer is the official policyholder for the Noncontributory Group Life Insurance, which is issued as Policy Number G-14800.

CONTRIBUTORY GROUP LIFE INSURANCE

Contributory Group Life Insurance is underwritten by Prudential, and is insurance for which the member pays a premium through payroll deductions. The PERS Board of Trustees is the official policyholder for the Contributory Group Life Insurance for the PERS, which is issued as Policy Number G-13900.

The law requires that a PERS member must be covered by contributory insurance for the first 12 months of membership. After 12 months have elapsed, the member may withdraw from this coverage by filing the proper form. Once the member withdraws from the contributory insurance coverage, it cannot be reinstated, nor can contributions that were made prior to the withdrawal be refunded.

The cost of the contributory insurance, which is set by the PERS Board of Trustees, is half of one percent (0.0050) of base salary. The deduction from salary for contributory insurance is made after taxes have been deducted.

The benefit value of the contributory and noncontributory insurance is:

Group Life Insurance Benefits for Active PERS Employees		
Noncontributory Insurance	Contributory Insurance	Total
1.5 x salary*	1.5 x salary*	3.0 x salary*
<i>*The definition of "salary" is the total base salary upon which pension contributions were based during the last 12 months (10 months of service for 10 month employees) preceding the death of the member during active service.</i>		

If death occurs within the first year of enrollment, the amount of noncontributory insurance is based on base salary earned until the date of death. The amount of contributory insurance, however, is based on the full annual base salary.

ENROLLING IN GROUP LIFE INSURANCE

Enrollment in group life insurance is accomplished through completion of the EPIC *Enrollment Application*, and coverage is effective on the date of pension membership (see below for members who are 60 or older at the time of enrollment). At the time of enrollment, the employee's estate will automatically be designated as the beneficiary for any death benefits payable. Employers should strongly encourage new employees to register with MBOS in order to update their beneficiary information once enrolled.

Former members who previously converted their group life insurance to a private policy, and then returned to N.J. public employment, are not eligible for active group coverage unless they cancel their non-group coverage.

The NJDPB will notify the member in writing if proof of insurability is required and outline the necessary steps for completing this process.

Group Life Insurance for Members Age 60 or Older

Employees who are age 60 or older at the time of enrollment are ineligible for both noncontributory and contributory insurance coverage, until they prove insurability by taking and passing a physical examination. Date of birth information is submitted by the employer at the time of enrollment to determine eligibility.

When a member is found to be age 60 or older at enrollment, the following procedure is set in motion:

- The NJDPB notifies the member in writing of his or her ineligibility for group life insurance coverage until insurability is proven through a physical examination.
- The NJDPB informs Prudential (the present group life insurance underwriter), about the enrolling member's ineligibility for group life insurance due to age.
- Prudential then provides the new member with information about the process of obtaining a physical examination to prove insurability. Prudential authorizes a third party to administer the physical examination.
- Prudential notifies the NJDPB if the member becomes eligible for group life insurance coverage as a result of proving insurability through a physical exam.
- At that time, the NJDPB provides certification to both the member and the employer. The certification indicates the date on which salary deductions for group life insurance coverage will begin.

Note: The member has 12 months from the date of the NJDPB's written notification to take and pass the required physical examination. Failure to pass the physical examination within the prescribed time frame will render the member ineligible for group life insurance coverage.

Members who fail to prove insurability have 45 days to submit an appeal of the decision to Prudential.

Confirmation of Enrollment in Group Life Insurance

After the member's enrollment in the pension system has been accomplished, life insurance information is passed to Prudential. The NJDPB will send the member a certificate of insurance, or insurance rider, that gives the group policy number(s) of the coverage, the member's name, location number, membership number, effective date of insurance, and beneficiaries on record. This certificate is an important document and should be safeguarded by the member.

Group Policy Numbers for PERS Employees	
Type of Insurance	Group Policy Number
Noncontributory Insurance	G-14800
Contributory Insurance	G-13900

NAMING A BENEFICIARY FOR GROUP LIFE INSURANCE

The online pension *Enrollment Application* defaults to the member's estate for both group life insurance benefits and the return of pension contributions. The new member must register and log on to MBOS to update beneficiary information. By doing so, the member may name any person, organization, estate, or trust as beneficiary. This designation may be changed at any time during membership by completing the *Designation of Beneficiary* via MBOS. At retirement, the member will be asked to nominate beneficiaries on the *Retirement Application*.

Changing a Group Life Insurance Beneficiary Designation

A member may change group life insurance beneficiaries at any time. For the protection of members and beneficiaries, the NJDPB will only accept a designation change through the MBOS *Designation of Beneficiary*. The NJDPB will not accept a change over the telephone or through a letter.

For members who are retired or who have submitted a *Retirement Application*, the beneficiaries designated on a retirement application supersede all prior designations once the application is on file at the NJDPB, even if the member later decides to cancel the retirement. Retired members wishing to update their group life insurance beneficiaries after retirement may submit a *Designation of Beneficiary* via MBOS, or print out and submit a paper *Retired Member Designation of Beneficiary* form.

WITHDRAWAL FROM CONTRIBUTORY GROUP LIFE INSURANCE

A member may withdraw from Contributory Group Life Insurance coverage at any time after completing the mandatory first 12 months of membership. Withdrawal is accomplished by completing a *Notice of Withdrawal from Contributory Group Life Insurance (PERS)* form, available from the NJDPB.

Since this is term life insurance, contributions made for contributory insurance are not refundable.

Unlike waiving noncontributory insurance coverage over \$50,000, which can be reinstated annually, the withdrawal from contributory insurance is irrevocable. See the "Waiving Noncontributory Group Life Insurance over \$50,000" section for more information on this topic.

SEASONAL CONTINUANCE OF GROUP LIFE INSURANCE COVERAGE

In the case of 10-month members, group life insurance will continue during the months of July and August as long as the employer-employee relationship exists during this period. If a signed contract is necessary to continue the employer-employee relationship, it must be in place. If a signed contract is not required to continue the employer-employee relationship, the employer will be required to certify that the employee is expected to return and will be rehired in September.

GROUP LIFE INSURANCE WHILE ON A LEAVE OF ABSENCE

Group life insurance coverage will continue in full force while on an official leave of absence without pay under the following conditions:

- For personal illness, the member's group life insurance coverage will continue for up to two years. If the leave of absence period extends beyond two years, group life insurance coverage ends.
- To fulfill a residency requirement for either an advanced degree or as a full-time student at an institution of higher education, the member's group life insurance will continue for up to one year. If the leave of absence period extends beyond one year, group life insurance coverage ends.
- For personal reasons (including family leave, leave for childcare), the member's life insurance will continue in full force for up to 93 days. If the leave of absence period extends beyond 93 days, group life insurance ends.

For all instances where group life insurance coverage ends due to an extended leave of absence, members have 31 days from the end date of group life insurance to convert to private coverage.

Continuing Group Life Insurance Coverage and Member Payments While on Leave of Absence

A member may continue contributory insurance coverage during periods of official leaves of absence by forwarding a check, made payable to "PERS CGIPF" for PERS Contributory Group Life Insurance, directly to the Division of Pensions & Benefits.

The amount due to cover the premium is 0.0050 of the monthly base salary (or biweekly base salary for State employees paid through Centralized Payroll) in effect at the time the member went on leave. The premium payment must be sent in advance on a monthly basis while on leave for as long as the member wishes to keep contributory insurance in effect. The *Personal Insurance Contribution Remittance* form can be found on the NJDPB website.

If the member opts not to make contributory insurance premium payments during a leave of absence, and thereby allows the contributory insurance to lapse, it will be reinstated automatically with the deduction of Contributory Life Insurance premiums upon return to employment.

Cancellation of Group Life Insurance While on Leave of Absence

If the leave of absence extends beyond the time frames shown above; or, if a PERS member opts not to make contributory insurance payments while on leave, the group life insurance will terminate. The member has the option to convert the expired group life insurance to a private insurance policy. See the "Conversion of Group Life Insurance" section.

GROUP LIFE INSURANCE FOR PERS MEMBERS SUSPENDED WITHOUT PAY

A member suspended without pay will have noncontributory insurance coverage continued for a period of 93 days following the effective date of such a suspension. A member will not be covered by contributory insurance during a suspension without pay, but may convert the contributory insurance prior to 31 days after the effective date of the suspension. See the "Conversion of Group Life Insurance" section.

GROUP LIFE INSURANCE AND WORKERS' COMPENSATION WITHOUT PAY

If a member becomes disabled due to an illness or injury that is a direct result of regular job duties, the member should immediately apply for an official leave of absence due to illness. The noncontributory insurance will automatically continue for the duration of the leave of absence for up to two years.

Once Workers' Compensation benefits commence, the member must pay the contributory insurance premium monthly, in advance, by direct remittance to the retirement system, in order to continue coverage. During the interval between the time the member first goes without pay and the actual receipt of the Workers' Compensation award, the member must be on an official leave of absence granted by the employer to keep the group life insurance in effect.

GROUP LIFE INSURANCE UPON TERMINATION OF EMPLOYMENT

If a member terminates employment before retirement, the group life insurance will continue to be in effect for 31 days following the date of termination of employment. During that period, the member may convert the group life insurance to an individual policy with Prudential, not to exceed the dollar amount of coverage in effect as an active member. See the "Conversion of Group Life Insurance" section.

TAXABILITY OF GROUP LIFE INSURANCE OVER \$50,000

The IRS classifies the cost of all employer-paid group life insurance coverage over \$50,000 as a fringe benefit subject to federal income, Social Security, and Medicare taxes. The amount of life insurance coverage is not taxable, but the premium required to pay for the life insurance coverage is taxable. The calculations are different depending on whether the member has both contributory and noncontributory insurance, or noncontributory insurance only.

N.J.S.A. 43:4C-1 permits members of the State retirement systems to waive their noncontributory insurance over \$50,000 to avoid a possible federal and State tax liability on that benefit

Note: Even if a member waives the noncontributory insurance over \$50,000, there still could be a federal tax liability for those PERS members who have contributory insurance coverage.

IRS Premium Rates		
Age Bracket	Cost of \$1,000 of Protection	
	Per Month	Per Year
Under 25	\$0.05	\$0.60
25 to 29	\$0.06	\$0.72
30 to 34	\$0.08	\$0.96
35 to 39	\$0.09	\$1.08
40 to 44	\$0.10	\$1.20
45 to 49	\$0.15	\$1.80
50 to 54	\$0.23	\$2.76
55 to 59	\$0.43	\$5.16
60 to 64	\$0.66	\$7.92
65 to 69	\$1.27	\$15.24
70 and above	\$2.06	\$24.72

**These rates are subject to change by the IRS. Contact the IRS to confirm current rates.*

Determining the Taxable Amount for Members Who Have Both Contributory and Noncontributory Group Life Insurance

To determine the taxable amount, if any, add the amount of noncontributory insurance coverage to contributory insurance coverage; then subtract \$50,000 from that total. The premium rates are then applied to the remaining life insurance amount. The premium costs for the life insurance are determined by the IRS based on the member's age and salary. The premiums paid for contributory insurance coverage (0.005 of base salary) are subtracted from the premium costs determined by the IRS. The remaining premium cost (if any) is the taxable amount and is added to the member's Form W-2 for that year.

Example:

A PERS member is age 55 and has both contributory and noncontributory insurance coverage. The member's annual base salary is \$50,000, so the life insurance cov-

erage totals \$150,000 (3 x \$50,000).

The fringe benefit amount is determined by subtracting \$50,000 from the total benefit amount (\$150,000), which equals \$100,000. According to the IRS, the premium cost for an individual 55 years of age is \$0.43 per \$1,000 of coverage per month.

The premium cost in this example is \$516.00 (100 x \$0.43 x 12).

Under PERS, members pay premiums equal to one-half percent of base salary for contributory insurance coverage. In this example this member pays \$250.00 (0.5% x \$50,000) per year for life insurance coverage.

The net taxable value of the premiums is \$266.00 (\$516.00 - \$250.00).

Determining the Taxable Amount for Members Who Have Noncontributory Group Life Insurance Only

Members of the PERS who have withdrawn from their contributory insurance coverage have noncontributory insurance only.

To determine the taxable amount, if any, take the amount of the noncontributory insurance coverage and subtract \$50,000. The premium rates are then applied to the remaining life insurance amount. The premium costs for the life insurance are determined by the IRS based on age and salary. The premium cost of the remaining life insurance amount is the taxable amount and is added to the member's Form W-2 for that year.

Example:

A PERS member is age 52 and has an annual base salary of \$50,000. The member's life insurance coverage totals \$150,000 (3 x \$50,000).

The fringe benefit amount is determined by subtracting \$50,000 from the total benefit amount (\$150,000), which equals \$100,000.

According to the IRS, the annual premium cost for an in-

dividual 52 years of age is \$.23 per \$1,000 of coverage per month. The premium cost in this example is \$276.00 (100 x \$.23 x 12) and would be added to this member's Form W-2. This does not mean that the member would pay an additional \$276.00 in taxes, but that \$276.00 would be added to the member's taxable wages for the year.

In this example, the member could waive \$100,000 of noncontributory insurance coverage because members are only permitted to waive noncontributory coverage over \$50,000. The net taxable value would be reduced to \$0.00.

WAIVING NONCONTRIBUTORY GROUP LIFE INSURANCE OVER \$50,000

N.J.S.A. 43:4C-1 permits members of the State retirement systems to waive their noncontributory insurance over \$50,000 to avoid a possible federal and State tax liability on that benefit. Any member who waives the noncontributory insurance must waive the total amount of coverage in excess of \$50,000; waivers of partial amounts are not permitted.

To avoid taxation, a member may complete a *Non-contributory Group Life Insurance in Excess of \$50,000 Election Form*. The form, available from the NJDPB, must be received by the NJDPB before December 31st to be effective January 1st of the next calendar year. Once a waiver has become effective, it shall be irrevocable for the entire calendar year.

If a waiver is in effect at the time of termination of employment or retirement, the member will not be permitted to convert any amount of noncontributory insurance coverage over \$50,000.

Before completing the form, the member should completely understand the ramifications of waiving noncontributory insurance. For more information, refer to IRS Publication 525 online at: www.irs.gov

The NJDPB will notify the employer on a periodic basis of the waivers processed for their employees.

Canceling the Waiver of Noncontributory Group Life Insurance over \$50,000

Once a waiver has become effective, it shall be irrevocable for at least an entire calendar year. The waiver will remain in effect until the member submits a new *Non-contributory Group Life Insurance in Excess of \$50,000 Election Form* to the NJDPB. The reinstatement will become effective January 1st of the next calendar year.

The NJDPB will notify the employer on a periodic basis of the reinstatements of noncontributory insurance processed for their employees.

GROUP LIFE INSURANCE UPON RETIREMENT

Life insurance is payable only if the member retires with 10 or more years of pension membership credit or retires on a Disability Retirement. The amount of insurance provided in retirement for all but Disability Retirements is shown in the chart below:

Paid-up Group Life Insurance upon Retirement for PERS Members	
If the member had Noncontributory Insurance	If the member had Contributory Insurance
N/A	18.75% x salary
*The definition of salary is the total base salary upon which pension contributions were based during the last 12 months (10 months for 10-month employees) preceding retirement or death during active service.	

If a member retires on a Disability Retirement, the non-contributory insurance benefit remains at a higher level until the member reaches normal retirement age: age 60 for Tiers 1 and 2; age 62 for Tier 3. At normal retirement age, the benefit amount is reduced to the normal retiree level. The member may elect then to convert the insurance that has been lost to a private, non-group pol-

icy through Prudential.

Filing for Disability Retirement and Group Life Insurance

When a member files for a Disability Retirement, the life insurance coverage will continue to be in effect while the Disability Retirement benefits are being processed, provided that the member is on an approved leave of absence with pay.

CONVERSION OF GROUP LIFE INSURANCE

If a member is forced to terminate coverage under group life insurance, the member is entitled to convert the same amount of insurance coverage lost to an individual, non-group policy issued by Prudential.

The conversion is guaranteed. The member cannot be refused coverage for health or other reasons, and no physical examination need be taken. The member may select any type of policy customarily offered by Prudential, except term life insurance or a policy containing disability benefits. The individual policy will be effective at the end of the 31-day period following cessation of employment or termination of insurance. The premiums will be higher than the member would pay if otherwise able to qualify medically for an individual policy with an insurance carrier.

A member may convert any dollar amount of group life insurance up to the maximum amount he or she is permitted to convert.

Several examples showing the amount of insurance that may be converted are shown below.

Insurance Amounts that may be Converted — Examples
<p>Upon Termination of Employment</p> <p>A PERS member has a base salary of \$40,000 in the 12 months prior to termination and had Contributory Group Life Insurance.</p> <ul style="list-style-type: none"> The death benefit would be \$120,000 (3 x \$40,000). If the member decides to convert the insurance coverage, (s)he could purchase up to \$120,000 worth of life insurance.
<p>Upon a Service Retirement</p> <p>A PERS member had a base salary of \$60,000 during the year before retirement and had both Noncontributory and Contributory Group Life Insurance. Active coverage = 3 x \$60,000 = \$180,000.</p> <ul style="list-style-type: none"> The member would receive a total of \$11,250 (18.75% of \$60,000) in paid-up contributory life insurance in retirement. Difference in group life insurance coverage: \$180,000 - \$11,250 = \$168,750. \$168,750 could be converted to an individual, non-group policy with Prudential at retirement.
<p>Upon a Disability Retirement</p> <p>A Tier 1 PERS member with a base salary of \$46,000 the year before retiring on an Ordinary Disability Retirement at age 39.</p> <ul style="list-style-type: none"> The member continues to have group life insurance coverage equal to 3 times salary, or \$138,000 until reaching the service retirement age of 60. At age 60, the group life insurance benefit would be reduced to 18.75% of final salary, or \$8,625. The member may then convert \$129,375 in coverage to an individual, non-group policy with Prudential.

Insurance Amounts that may be Converted — Examples
Upon a Deferred Retirement
<p>A Tier 2 PERS member has a base salary of \$36,000 during his final year of employment.</p> <ul style="list-style-type: none"> • With contributory and noncontributory insurance, the active death benefit is \$108,000. • The member leaves employment at age 36 and takes a Deferred Retirement, payable at age 60. • When retired at age 60, the member will have paid-up life insurance of \$6,750 (18.75% of salary). • Until age 60, the member has no group life insurance in effect. • Within 31 days of terminating employment, the member would be allowed to convert \$101,250 of insurance to a an individual, non-group policy with Prudential.

**Applying for Conversion of
Group Life Insurance Coverage**

To initiate the purchase of a conversion policy, the member must contact Prudential (not the NJDPB) at 1-855-364-7783, or through any of Prudential's local offices.

The member will have to provide the Prudential agent with his/her group policy number and individual certificate number. The Group Policy number is shown in the "Enrolling in Group Life Insurance" section. The individual certificate number is the member's pension membership number.

If a member returns to public employment after conversion, and the individual policy is still in effect at the time of enrollment in the retirement system, the member will be required to discontinue the individual policy in order to be eligible for coverage as an active member under the group policy.

Death Claims

REPORTING A DEATH

In the event of an active or retired member's death, the importance of contacting the NJDPB immediately to report the member's death cannot be stressed enough. A family member or survivor of the deceased should provide the required information at the time of the notification, including: the member's name, current address, Social Security number, member number or retirement number, date of death, and the prospective beneficiary's name, address, and telephone number (or the contact information of the person handling the deceased member's affairs).

Contacting the NJDPB by telephone, by calling (609) 292-7524 and selecting the option to "Report a Death," or by email, are both acceptable means of reporting a member's death to the NJDPB. However, the claim cannot be processed until a certified death certificate is received. Upon receipt, the claim will be opened and the last designated beneficiary on file will be notified. The *Death of a Member* Fact Sheet offers further information about reporting a death.

Note: Not all retirees are covered by group life insurance after retirement. The law states that a member must have at least 10 years of credited service at retirement to be covered by this benefit, with the exception of those retired on a Disability Retirement.

DEATH IN SERVICE — ACTIVE MEMBERS

When an active member dies, but not as a direct result of regular or assigned duties, his or her named beneficiaries are entitled to the payment of the return of accumulated contributions, plus the active group life insurance benefit. The group life insurance benefit amount depends on whether the member was covered by non-contributory insurance, contributory insurance, or both.

EMPLOYER RESPONSIBILITIES

Employer responsibilities include:

- Completion of the *Employer Certification: Death Claim For PERS/TPAF/PFRS/SPRS Members* (sometimes referred to as a "P-29"), which is also an acceptable form of notification of a death.
- You must provide the most recent salary and pension contribution information for the period prior to the date of death of the member. This is required in order to avoid the delay of waiting for the *Quarterly Report of Contributions* before processing the claim.
- Also indicated on this form is the employment status of the member at the time of death. This includes the last day of active service, if the member resigned or was on a leave of absence without pay, etc.

The completed certification should be submitted through EPIC within three days of being requested by the NJDPB. Faxes are acceptable to initiate the claim, but the original must be forwarded to the NJDPB immediately.

Important: You must complete Section #9: "Was member on an official leave of absence with or without pay?" If you indicate that the member was on an approved leave of absence without pay, you must give the date the leave was granted, the reason for the leave, and supporting documentation.

The following documents should accompany the *Employer Certification: Death Claim For PERS/TPAF/PFRS/SPRS Members* if the deceased member was on leave at the time of death:

- Board minutes/administrative approval of a leave of absence; or
- Any written documentation approving a leave; the document must indicate whether the member was on a leave without pay. This document must also include the start date and end date of the approved

leave and the reason for the leave.

Failure to complete this portion will result in a delay in the processing of the death claim.

ACCIDENTAL DEATH IN SERVICE

If an active member dies as a direct result of an accident while in the performance of regular or assigned duties and the death is not a result of willful negligence, then "Accidental Death" benefits may be awarded to the member's beneficiary(ies) by the PERS Board of Trustees.

Accidental Death benefits include the payment of group life insurance benefits (noncontributory and contributory, if in effect) plus a pension benefit to the surviving spouse,¹ civil union partner,² or same-sex domestic partner,³ in the amount of 50 percent of the member's Final Salary.

For further details concerning benefits if there is no surviving spouse or partner, refer to the *PERS Member Guidebook*. For special groups, additional information can be found in the specific member handbook addenda: *PERS Law Enforcement Officers (LEO) Addendum*; *PERS Legislative Retirement System Addendum*; *PERS Prosecutors Part Addendum*; *PERS Workers' Compensation Judges Addendum*.

All requests for Accidental Death benefits should be referred to the PERS Secretary of the Board of Trustees. The notification should be provided in writing by submitting the *Employer Certification — Accidental Death on Duty* form or by letter.

The NJDPB will request the following information from the employer:

- *Employer Certification — Accidental Death on Duty*;
- Employer's Accident Report;
- Police Report and/or Autopsy Report; and
- Witness Statements.

The NJDPB will request the following information from the surviving spouse, civil union partner, or eligible same-sex domestic partner:

- *Application for Accidental Death Benefits*;
- Certified Death Certificate;
- *Marriage Certificate* from a surviving spouse, or *New Jersey Civil Union Certificate* from a surviving civil union partner, or a valid certification from another jurisdiction that recognizes civil unions, or *New Jersey Certificate of Domestic Partnership*, or a valid certification from another jurisdiction that recognizes same-sex domestic partnerships; and
- Income Tax Return for the last year before the member's date of death or date of accident.

Important: The *Report of Death* must be filed with the NJDPB within 60 days of the event. The Board of Trustees may waive the time limit for a reasonable period but under no circumstances should the application be filed beyond five years from the date of death.

¹*A surviving spouse is a person to whom the member was married on the date of his/her death and who has not remarried or entered into a new civil union.*

²*A surviving civil union partner is a person of the same sex with whom the member had entered into a civil union and who has not entered into a new civil union or remarried.*

³*A same-sex domestic partner who has not entered into a civil union or remarried.*

For more information, please see *Civil Unions and Domestic Partnerships* Fact Sheet.

DEATH IN THE COURSE OF VOLUNTEER SERVICE (VESP BENEFIT)

N.J.S.A. 43:12-28.1, et seq., authorizes municipalities to pay pensions to widows/widowers and to minor children of local volunteer personnel who die in the course of volunteer service. On January 9, 2003, the statute was amended to broaden the eligible volunteer personnel to include emergency medical technicians, expand the survivors who are eligible for the survivor benefit, and increase the annual pension payable.

When a volunteer emergency service worker (see list below) dies while responding to, preparing for, or returning from an emergency while under orders from a competent authority, the municipality may determine that the surviving spouse, civil union partner or same-sex domestic partner, children, or dependent parent(s) of a volunteer is eligible for a survivor's pension. After the municipality makes this determination, its municipal clerk files a certified copy of the resolution with the State Treasurer within 10 days of adoption.

The State will then pay the pension to the survivor of the volunteer. The pension will begin in the calendar year after the year of death.

Eligible Volunteer Personnel

Volunteer personnel who are eligible for this benefit include:

- Firefighters
- First Aid Workers
- Rescue Squad Workers
- Emergency Medical Technicians

Survivor's Pension

The amount of the annual pension paid is set at \$15,000 per year for the surviving spouse or eligible partner of the volunteer, as long as the surviving spouse or eligible partner does not subsequently remarry or enter a civil union partnership.

If there is no surviving spouse or eligible partner, or the surviving spouse or eligible partner has subsequently remarried or entered into a civil union partnership, an annual pension of \$10,000 will be paid to minor children.

If there is no surviving spouse, eligible partner, or minor children, an annual pension of \$5,000 will be paid to the dependent parents of the volunteer. The parent(s) had to have received at least half of their support from the emergency worker during the twelve months preceding the death.

For additional information about the VESP Benefit, please see:

Volunteer Emergency Worker's Survivors Pension (VESP) Fact Sheet

Application for Volunteer Emergency Worker's Survivors Pension (VESP)

Withdrawals

OVERVIEW

Any PERS member who terminates covered employment prior to retirement may withdraw the pension contributions in his or her account if certain criteria established by statute are met. See the *Withdrawal from the Retirement System* Fact Sheet for additional information.

Application for Withdrawal through MBOS Required

An eligible member who terminates employment and chooses to withdraw from a pension account must submit the withdrawal application online using the MBOS *Application for Withdrawal*.

Upon receipt of both the *Application for Withdrawal* and the *Employer's Certification for Withdrawal*, the NJDPB will refund the contributions of eligible members. Withdrawing members receive interest on their withdrawn contributions at a rate of two percent; no interest is payable if the member has less than three years of membership credited to the account at the time of termination.

There are no provisions for partial withdrawals.

EMPLOYER RESPONSIBILITIES

The *Employer's Certification for Withdrawal* is to be completed through EPIC by the former employer after the member has terminated employment. Forms completed in advance of termination of employment will not be accepted. The *Employer's Certification for Withdrawal* must be completed in its entirety or the claim cannot be processed.

The employer should contact the NJDPB if any inactive employee returns to covered employment within a two-year period or before the account is expired. The account will be reactivated at the same rate of contribution and service credit. The period during which the member was inactive constitutes a break in service.

In the event that an employee is dismissed from service, a withdrawal claim cannot be paid if the member is appealing the dismissal. The State Merit System Board is contacted when a member covered by the merit system is dismissed. If an appeal has been filed, the withdrawal is not paid until the appeal has been settled and the status of the employee is clarified.

An employer is responsible for making pension contributions on behalf of the employee who is on a Military Leave of Absence when the employee returns to service, under the prescribed time frames of USERRA.

If the employee is a participant in the Supplemental Annuity Collective Trust (SACT) or the New Jersey State Employees Deferred Compensation Plan (Deferred Comp), and is choosing to withdraw all accumulated salary deductions in the retirement system, a separate application to withdraw from these funds must also be filed with the NJDPB.

INACTIVE MEMBERSHIP

Any member who resigns may leave the accumulated contributions with the pension system and continue on an inactive status for a period of up to two years. Interest is credited to the account if the member had at least three years of service credit during this period of membership. After the two-year inactive period, the account is considered expired.

Prior to the completion of the two-year inactive period, the NJDPB will send both the member and the employer an *Expiration Notice*. A copy is sent to the former employer in case the employer has an updated address for the member. The employer is asked to forward the notice since failure to notify the employee may jeopardize the member's eligibility for retirement benefits, if any.

Once an account has expired, the contributions and accrued interest will remain in the expired account until the member completes an *Application for Withdrawal*. Additional interest will not accrue on expired accounts.

EXTENSION OF INACTIVE MEMBERSHIP PERIOD AND LEAVE OF ABSENCE

An employee's membership will not end two years after his or her last contribution if he or she is granted an official leave of absence (the two-year period begins at the end of the leave of absence).

If a member's employment is terminated through no fault of the member (e.g., abolishment of the position, layoff, reduction in force), the inactive period will be extended for an additional eight years (total of 10).

Note: Extensions are not automatic.

Documentation from the employer showing that the leave of absence was extended or that the termination was not voluntary must be submitted to the NJDPB. The extension of inactive status up to 10 years only gives the member the right to start contributing to the retirement system, should he/she once again obtain PERS employment; it gives the member no other rights or benefits.

In the event that an account does not become active within the extension, the member will be notified in writing concerning the date that his or her account will expire.

WORKERS' COMPENSATION AND WITHDRAWAL

Under the provisions of the statutes as interpreted by court decisions, pension contributions are made if the employee is awarded Workers' Compensation benefits. An employer is required to make pension contributions on behalf of an employee receiving periodic payments based on temporary or permanent Workers' Compensation awards (see *Workers' Compensation* Fact Sheet). The voluntary resignation or retirement of an employee receiving any kind of Workers' Compensation frees the employer from pension contributions on behalf of the member.

The question on the *Employer's Certification for Withdrawal* concerning periodic benefits under a claim filed

for Workers' Compensation must be answered because it may have pension consequences that affect withdrawal. Lump-sum awards under Workers' Compensation need not be listed because they have no effect on an *Application for Withdrawal*.