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Enrollments
OVERVIEW
The Police and Firemen's Retirement System (PFRS) is a defined benefit pension fund established in 1944. It is open to all police officers and firefighters appointed after June 1944. Participation of employees in the PFRS from municipalities is mandatory and a condition of employment. Certain State and county law enforcement job titles are also covered by the PFRS. However, if an employee in a county or State police or fire title does not meet PFRS eligibility requirements, Public Employees' Retirement System (PERS) membership is required. The PFRS is maintained on an actuarial reserve basis. The Police and Firemen's Retirement System of New Jersey (PFRSNJ) Board of Trustees has the responsibility for the proper administration of the retirement system. All membership and retiree account records in the PFRS begin with the number 03.

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.

ELIGIBILITY
Enrollment in the PFRS is limited to full-time, permanent firefighters and police officers who hold an approved job title or whose position has been approved by the Board of Trustees of the PFRS. Check the NJDPB website for an updated listing of the current PFRS-approved job titles.

Training Requirements for PFRS Eligibility and Enrollment
To be eligible for participation in the PFRS, a position must meet the statutory definition of a police officer or firefighter, including the mandate that a candidate for a PFRS position must successfully complete specific training requirements, as prescribed in N.J.S.A. 43:16A-1 and 52:17B-66. All police officers, correction officers, and county investigators enrolled in the PFRS must be certified in the basic training course for their title, as prescribed by the Police Training Commission (PTC). Similarly, firefighters enrolled in the PFRS must complete and receive Firefighter 1 Certification through the New Jersey Department of Community Affairs, Division of Fire Safety.

Anyone seeking to become a police officer, correction officer, county investigator, or firefighter who does not successfully complete the PTC or Firefighter 1 Certification will not be permitted to participate in the PFRS. PFRS members who do not have the required certification will face removal from PFRS membership.

Obtaining PFRS Board of Trustees Approval for a Job Title
If a new employee's title does not appear on the list of PFRS-approved job titles at the time of enrollment and PFRS membership is sought, the employer must submit a statement explaining the qualifications and duties of the position/title with the employee's enrollment application. The Director of the NJDPB reviews specific job descriptions and titles within a law enforcement unit or firefighting unit to make an initial recommendation to the PFRSNJ Board of Trustees as to whether the title meets the definitions of a police officer or firefighter under the law as defined pursuant to N.J.S.A. 43:16A-1 et seq.

Police Officer is defined as a permanent, full-time employee of a law enforcement unit, other than an officer or trooper of the Division of State Police, whose primary duties include the investigation, apprehension, or detention of persons suspected or convicted of violating the criminal laws of the State; and who:
• is authorized to carry a firearm while engaged in the actual performance of official duties;
• has police powers;
• is required to successfully complete prescribed training requirements; and
• is subject to physical and mental fitness requirements applicable to the position of municipal police officer established by an agency authorized to establish these requirements on a Statewide basis, or comparable physical and mental fitness requirements as determined by the Board of Trustees.

The term is further defined to include an administrative or supervisory employee of a law enforcement unit or the State whose duties include general or direct supervision of employees engaged in investigation, apprehension, or detention activities or training responsibilities for these employees. The administrative or supervisory employee must also engage in the investigation, apprehension, or detention activities if necessary, and be authorized to carry a firearm while in the actual performance of these official duties and has police powers.

Firefighter is defined as a permanent, full-time employee of a firefighting unit whose primary duties include the control and extinguishment of fires. He or she is subject to training and physical and mental fitness requirements applicable to the position of municipal firefighter established by an agency authorized to establish these requirements on a Statewide basis, or comparable training and physical and mental fitness requirements as determined by the Board of Trustees.
The term is further defined to include an administrative or supervisory employee of a firefighting unit whose duties include general or direct supervision of employees engaged in fire control and extinguishment activities or training responsibilities for these employees. The administrative or supervisory employee must also engage in fire control and extinguishment activities if necessary. As used in this paragraph, firefighting unit shall mean a municipal fire department, a fire district, or an agency of a county or the State which is responsible for control and extinguishment of fires.

Upon recommendation from the Director of the NJDPB, the Board of Trustees will make the final determination whether a specific job description and title meets the definitions of police officer or firefighter and is, therefore, eligible for coverage under the PFRS.

**Civil Service Employers** — If your employing location has adopted the provisions of Title 11A of the New Jersey Statutes and adheres to the rules and regulations of the New Jersey Civil Service Commission, any title used at your location must first be recognized as an established Civil Service title.

If the title for which you seek approval is not on the Civil Service title list, you will be required to first have the title recognized by the Civil Service Commission prior to review by the Director of the NJDPB and the PFRS/NJ Board of Trustees.

**Documentation Categories and Checklists**

The NJDPB has established Categories A, B, and C which outline the required documentation to be presented with a written request. See the [Requirements for Review of a Title for Participation in the PFRS form](#) on the NJDPB website for categories and checklists.

**Title Approved for PFRS**

If, after considering the recommendation of the Director, the Board of Trustees determines that the title meets the definition of police officer or firefighter, the following steps will be taken:

- The Board of Trustees will publish in the New Jersey Register a notice that it proposes to include the position in the PFRS. Interested parties shall be given at least 30 days to comment on the proposal.
- The approved title is updated on the NJDPB’s website.

The NJDPB’s Enrollment Bureau contacts the employer and provides information on how the employer should complete the new [Enrollment Application](#) or [Application for Interfund Transfer](#) for the appropriate employees.

**Note:** After the Board of Trustees determines that a title is covered by the PFRS, any person employed with that employing entity in the same title on the date of the Board’s approval is eligible to become a member of the PFRS.

If a title is approved for a Civil Service employer, eligibility in the title applies to all Civil Service employers.

If a title is approved for a Non-Civil Service employer, eligibility in the title applies to that employing entity only.

If the person is employed in the approved title prior to the Board’s approval, provided that person is otherwise eligible for membership under that title in any other State-administered or county or municipal retirement system, the person may transfer membership in the other retirement system to the PFRS in accordance with the provisions of P.L. 1973, c. 156.

If a person is employed in the approved title on or after the effective date, the Board of Trustees approval, the person is then required to enroll in the PFRS as a condition of employment, provided that person is otherwise eligible for membership by meeting the appointment, age, and health requirements prescribed for all PFRS members. Furthermore, that person, if employed in a title eligible for membership in the PFRS, is ineligible for membership under that title in any other State-administered or county or municipal retirement system.

**Titles Denied for Coverage Under the PFRS**

If, after considering the recommendation of the Director of the NJDPB, the Board of Trustees determines that the title does not meet the definition of police officer or firefighter, the following steps will be taken:

- The employee or employer disagreeing with the decision of the Board may request an opportunity for a hearing in accordance with the Uniform Administrative Procedure Rules.
- If the employee or employer requests a hearing, the Board of Trustees will publish in the New Jersey Register a notice that a hearing will be conducted as to whether the application for the title is deemed to meet the definition of police officer or firefighter.

Interested parties may seek to intervene in accordance with the Uniform Administrative Procedure Rules, N.J.A.C. 1:1-16.

- Pending the outcome of the hearing, the NJDPB website will be updated to list whether the proposed title was approved or denied participation in the PFRS.
Promotion Out of a PFRS Position and PFRS Eligibility

If a PFRS member is promoted out of a PFRS title, statutes permit the member to transfer member contributions and service credit to another State retirement system, such as the PERS, as long as the member meets eligibility requirements for membership in the second system. If the member wishes to apply for such a transfer, the member and employer must submit an Interfund Transfer form to the NJDPB. See the “Interfund Transfers” section.

Promotion Out of a PFRS Position When Supervision of PFRS Members Is Involved

If a PFRS member is promoted out of a PFRS title to a position in which he/she will be supervising PFRS members, the employer can write to the NJDPB seeking approval to allow the member to remain in the PFRS.

AGE RESTRICTIONS ON MEMBERSHIP IN PFRS

Individuals qualified to enroll in the PFRS in all other respects must be appointed on or before the day of their 35th birthday.

Civil Service Positions

Individuals hired in a PFRS-eligible title at Civil Service (Title 11) locations cannot be older than the day of their 35th birthday as of the announced closing date of the Civil Service examination for that title in order to be eligible to establish membership in the PFRS. Individuals meeting this age requirement can be hired at any time from a Civil Service list while it is still active, and can be enrolled in the PFRS (N.J.S.A. 43:16A-3(1)).

Non-Civil Service Positions

Individuals hired in a PFRS-eligible title at a Non-Civil Service location can be no older than the day of their 35th birthday on the date of hire to be eligible for membership in the PFRS (N.J.S.A. 43:16A-3(2)).

Maximum Age Restrictions at State and County Locations

Individuals employed by any State or county location who exceed the maximum age requirement described above must establish membership in the PERS under the following conditions:

- Immediately upon being permanently appointed to a position with a Civil Service employer.
- After serving provisionally in an eligible title for one year with a Civil Service employer.
- After being employed for one year in a temporary position with a Non-Civil Service employer.

Note: Those individuals enrolled under the PERS in Law Enforcement Officer (LEO) titles will be eligible for enhanced benefits under special LEO provisions. See the Law Enforcement Officers (PERS-LEO) Member Guidebook Addendum.

Maximum Age Restrictions at Municipal Locations

Individuals seeking employment with any municipality in an eligible PFRS title who are one day or more past their 35th birthday on the date of hire, even after any reductions in age (definition to follow) have been taken into account, cannot establish membership in any State-administered retirement system (N.J.S.A. 43:16A-3(2)). Since enrollment in the PFRS is a condition of employment, these individuals cannot be hired.

Exceptions: Reducing a Member’s Age

There are situations in which age can be reduced for purposes of being eligible for enrollment in the PFRS.

For All Employing Locations

Members who meet the definition of a veteran for pension purposes can reduce their present age by the amount of active military service in the theater of operations during war time or time of conflict, as stipulated by N.J.A.C. 17:4-2.5 and N.J.S.A. 43:1-1.1. This applies to cases involving State, county, and municipal locations. For more information see our Veteran Status Fact Sheet. However, no person may be appointed who is over the age of 45 except for those who were involuntarily terminated previously from former employment.

For Municipalities Only

- Members may also reduce their enrollment age for prior service as State trooper, sheriff’s officer or deputy, or county or municipal police officer, as stipulated in N.J.S.A. 40:14-127.1. This statute provides that former municipal police officers can reduce their age for entry into the PFRS for the position of municipal police officer if their actual age, less the number of years of previous service as police officers, would reduce their age to 35 or less.
- Service as a municipal police officer in another state may also qualify for use in reducing a member's age for entry into the PFRS.
- An age reduction may also be granted for persons who have prior service with the police departments of the Delaware River Port Authority, Amtrak, the Burlington County Bridge Commission, or SEPTA.
- Prior service in federal law enforcement agencies may also be used to reduce a member's age.

Volunteer Firefighters

Appointed to Paid Positions

Volunteer firefighters appointed to paid positions must meet the same stringent age criteria in order to be eligible for enrollment in the PFRS. However, there are two exceptions for municipal firefighters:

1. 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 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. See the Employers’ Pensions and Benefits Administration Manual for the Public Employees’ Retirement System for instructions on enrolling these individuals.

2. 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. Please note that individuals who qualify for this exemption are eligible for enrollment in the PERS, not the PFRS. See the Employers’ Pensions and Benefits Administration Manual for the Public Employees’ Retirement System for instructions on enrolling these individuals.

Candidates Employed Part-Time, Under Age 35
Part-time officers cannot be enrolled in the PFRS; previously, they would be enrolled in the PERS if otherwise eligible for PFRS enrollment. However, part-time officers employed after May 21, 2010, who work below the number of hours required to qualify for PERS Tier 4 or 5 membership (35 hours per week at State locations, or 32 hours per week at local government locations) can only be enrolled in the Defined Contribution Retirement Program (DCRP), not the PERS.

REQUIREMENTS FOR PFRS ENROLLMENT
Required Forms for Enrollment
In order to enroll a newly hired employee in the PFRS, the employer must submit an Enrollment Application online through the Employer Pensions and Benefits Information Connection (EPIC). On the application, the employer must also indicate the date on which the medical requirement was approved by the examining physician.

Medical Requirements
A physical examination must be completed by the employer’s physician to prove medical readiness for a PFRS position. Employers are no longer required to attach the Report of Examining Physician to the enrollment application, but this form must be kept on file at the employing location in anticipation of audits by the NJDPB. The medical exam must occur within one year of the submission of the Enrollment Application.

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 50 percent of the pension contributions that the employee would have paid had he or she been enrolled in a timely manner.

Delayed Appropriation 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 50 percent of the liability amount; the other 50 percent 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 beneficiary for any death benefits payable.

Employers should strongly encourage new employees to register with the Member Benefits Online System (MBOS), which will enable members to designate or update their beneficiary information online by using the Designation of Beneficiary application. Members wishing to sign up for MBOS at the time of enrollment should be directed to the NJDPB website.

If the member does not make beneficiary designations by using MBOS to designate pension and group life insurance beneficiaries online, the estate of the newly enrolled member will continue to be listed as both the group life insurance and pension beneficiary for any death benefit payable.

In such cases, an insurance packet and policy rider confirming the estate as beneficiary will be mailed to the member.

Contribution Rate
The PFRS employee pension contribution rate is currently 10 percent of base salary.

PFRS Membership Tiers
PFRS members are classified by enrollment date, as eligibility requirements for PFRS enrollment and retire-
ment are different for three distinct enrollment periods, according to law:

- Tier 1 Membership, for members enrolled on or before May 21, 2010.
- Tier 2 Membership, for members enrolled after May 21, 2010, and on or before June 28, 2011.
- Tier 3 Membership, for members enrolled after June 28, 2011.

Please note that holders of J-1, F-1, M-1, or Q-1 visas are not eligible for membership in the PFRS.

**Tier 1 – Pensionable Salary Limits**

The PFRS contribution rate for Tier 1 members is applied to the full pensionable salary, up to the federal pensionable maximum. The PFRS 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 Tier 1 PFRS members. Salary earned by a 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 Internal Revenue Service (IRS) website: [www.irs.gov](http://www.irs.gov)

**Tier 2 and Tier 3 – Maximum Compensation**

The PFRS contribution rate for Tier 2 and Tier 3 members is applied to the pensionable salary up to a compensation limit based on the annual maximum wage for Social Security deductions. The annual maximum compensation limit can be found on the NJDPB website. Tier 2 and Tier 3 members who earn in excess of the annual compensation limit will be enrolled in the DCRP, in addition to the PFRS. A contribution of 5.5 percent of the salary in excess of the limit, plus three percent from the employer, will be forwarded to the member’s DCRP account. When a PFRS member also becomes a participant in the DCRP, the life insurance and disability benefit provisions of that program will become available for that participant.

**Creditable Compensation**

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

- Pay for performance of duties required of a PFRS-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. 17:4-4.1, “…the compensation of a member subject to pension 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 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;
- 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;
- 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; and
- Clothing allowances.

**Examples**

Some examples that should clarify the subject follow. **Example #1** — 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 — 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 — Longevity is paid to employees beginning in their fifth year and is included in base salary 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 — 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 — 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 PFRSNJ 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 PFRSNJ 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.

PFRS Pension 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 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 pension 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

Interfund Transfers are 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 (PERS, Teachers’ Pension and Annuity Fund (TPAF), State Police Retirement System (SPRS), etc.) the option to transfer membership into the PFRS if the member obtains a PFRS-eligible position.
For example, if a dispatcher (PERS) obtains a position as police officer (PFRS), he/she may be eligible to transfer membership from the PERS to the PFRS.

**Note:** An interfund transfer may be processed only if there is no concurrent service between the PFRS and the other fund, and the member is no longer actively contributing to the other fund.

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.

**Required Forms**

1. A PFRS 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 PFRS-covered employment in a State-biweekly location, please complete a paper PFRS 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 PFRS; therefore, it is important that you notify any employee eligible for enrollment in the PFRS of this option if he or she was a member of a different State-administered pension fund.

**Intrafund Transfers (Reports of Transfer)**

Intrafund Transfers are for employees who change employers and accept positions covered by the same retirement system.

All active PFRS members who change employers, but continue employment in the PFRS, 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.

**CREDIT FOR MILITARY SERVICE AFTER ENROLLMENT**

The federal Uniformed Services Employment and Re-employment 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 PFRS-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 PFRS members.

For members of the PFRS 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 the PFRS 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 from the end of a leave of absence;
- Two years from 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)
PFRS members are eligible to purchase temporary employment, provided the service rendered was in a title eligible for participation in the PFRS, was continuous, and immediately preceded a permanent or regular appointment. In addition:
- PFRS members are allowed to purchase temporary service rendered under a former PERS or TPAF account provided the service was continuous and immediately preceded a permanent or regular appointment.
- 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 of the PFRS 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 illness.

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.
- 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.

Former Membership Service (A Shared Cost Purchase)
Members of the PFRS 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.

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.

Out-of-State Service (A Shared Cost Purchase)
PFRS 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 New Jersey 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.
U.S. Government Service (A Full Cost Purchase)

PFRS 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 New Jersey 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 in part on this service.

Military Service Before Enrollment
(A Full Cost Purchase)

Members of the PFRS 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.

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

Uncredited Service (A Shared Cost Purchase)

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

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

PFRS 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 PFRS 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.

Layoff Service, PFRS (A Full Cost Purchase)

Under the provisions of N.J.S.A. 43:16A-11.13 and -11.14, PFRS members in police and firefighter titles are eligible to purchase up to three years of layoff time, provided they were in good standing at the time of separation from employment and not released for misconduct or delinquency.

Along with the application submitted by the member, the employer will be required to provide the following information:

1. The member's name and PFRS membership number;
2. An indication that the member is applying for a “Chapter 338” purchase;
3. An indication that the member was a police officer or firefighter in a PFRS position when involuntarily separated from employment and was not separated for cause or under charges of misconduct or delinquency;
4. A confirmation that the member is currently in a PFRS service position; and
5. The start and end dates of the entire layoff period, not just the dates the member wishes to purchase.

The Purchase Section will request this information in the form of a letter.

Additional Opportunities to Purchase Service Credit (PFRS only)

If a member has at least 20 years of service credit in the PFRS and leaves, with the employer's approval, to accept a full-time position in one of the agencies listed below, the member may purchase a maximum of three years of such service upon return to covered employment:

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

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 posted to his or her account 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.

Note: For PFRS purchases made under the provisions of N.J.S.A. 43:16A-11.13 and -11.14, the salary the member was receiving at the time of the layoff will be used to calculate the cost of purchase.

A shared cost purchase is one where the total cost is shared equally between the member and the employers across the State. The member will pay the cost of purchase through payroll deductions (arrears), 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 for the PFRS**

The following types of service credit may be purchased on a shared cost basis by PFRS members: Former Membership in a New Jersey State-administered retirement system, Leaves of Absence, Uncredited Service, and Out-of-State Service. To estimate the cost of a shared cost purchase:

- Multiply the Purchase Factor corresponding to the nearest age of the member by the current or highest reported fiscal-year’s salary as a member; 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, U.S. Government Civilian Service, Layoff Service, or Local Retirement System Service. To estimate the cost of a full cost purchase:

- Multiply the estimated cost of a shared cost purchase by two.

*A Purchase Estimate Calculator* is available on MBOS.

### PFRS: Age Factor Table for Purchasing Service Credit.

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### PFRS: Age Factor Table for Purchasing Service Credit.

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APPLICATION PROCESS

Purchasing Service Credit
Through MBOS Required

All purchase requests must be submitted to the NJDPB using the Purchase Application program on 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.
- 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.

Please note that these are the only circumstances where paper purchase requests are permitted. Any other 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. PFRS 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 50 percent 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, PFRS members may pay for the purchase of additional service credit through a direct rollover of funds from a qualified retirement savings plan, or through a 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 2 years old);
  - Simplified Employee Pension (SEP) plan;
  - 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 Rollover/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 New Jersey Administrative Code, 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 previously 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 member 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 emailed 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 N.J.A.C.:
• 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 automatically suspend their payments, but 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

• 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).
• To qualify for an Ordinary Disability Retirement, PFRS members need four 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.
• With the exception of purchase requests for PFRS Layoff Time and Military Service after Enrollment, members can receive an estimate of the cost of purchasing service credit by calling the Automated Information System at (609) 292-7524 or by logging on to MBOS to use the Purchase Estimate Calculator.
• Estimates of the cost to purchase PFRS Layoff Service and Military Service after Enrollment can only be obtained through written request to the NJDPB.
• The payments a member makes toward the purchase of service credit are considered voluntary according to the IRC Section 414(h). Therefore, payments made towards a purchase cannot be considered tax deferred unless funded by a rollover from another tax deferred plan. For additional questions, please refer to a tax advisor.

EMPLOYER RESPONSIBILITIES

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 New Jersey 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.

1. 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 Employment Verification form along with a letter to the employer requesting verification 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. 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 already an existing arrears schedule, it will be automatically combined with the new purchase payment schedule.

4. 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.

5. 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; and
- 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 PFRS 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 Loan Application Requirement

While the majority of member 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);
- Employees whose employer was late in submitting the Report of Contributions for the quarterly posting;
- State employees who are paid on a supplemental payroll schedule; 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; or
  - Employees who apply for a loan within six months of transferring within the same retirement system to a new employer.

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 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 50 percent 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 combined loan balance may not exceed 50 percent 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 “biweekly.” If the member is not paid through Centralized Payroll, the requested repayment amount will indicate “monthly.”
IRRS 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 50 percent 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 through 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 through 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 1/2, 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 total 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), the 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 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; lump-sum payments in amounts less than the total balance will not be accepted. Members must request the lump-sum payoff figure via MBOS, using the “Letters and Statements” application. 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. The monthly loan payment will be calculated to have the loan plus interest satisfied by the member’s five-year end date.

**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

PFRS members are classified by enrollment date, with different eligibility requirements for three distinct enrollment periods, according to the law. See "Membership Tiers" in the "Enrollments" section.

Final Compensation

For a PFRS Tier 1 member, Final Compensation means the salary upon which pension contributions were based in the last 12 months of creditable service preceding retirement.

For a PFRS Tier 2 or Tier 3 member, Final Compensation means the average salary upon which pension contributions were based for any three fiscal years (July – June) of membership preceding retirement that provides the largest possible benefit.

Mandatory Retirement

Retirement for PFRS members is mandatory at age 65. If the member does not file a Retirement Application before age 65, he/she is automatically retired on the first of the month following his/her 65th birthday. Retirement benefits, however, are not payable until the member files an application through MBOS.

Exception: Elected officials are exempt from mandatory retirement from their elected position.

Proof of Age

If not already on file, the member must provide proof of age upon retirement. 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 application will not be processed until the NJDPB 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.

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. Retirement estimates may be obtained for any eligible date up to two years in advance.

SERVICE, SPECIAL, AND DEFERRED RETIREMENTS

Member Responsibilities

Complete and submit the Retirement Application through MBOS at least three to four months in advance. The member must also submit a proof of age document upon retirement, if it has not been previously provided.

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 for cause.

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

<table>
<thead>
<tr>
<th>Eligibility</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type 1 Eligibility</strong></td>
<td>Age 55 or older.</td>
</tr>
<tr>
<td><strong>Benefit Formula</strong></td>
<td>Years of Service x 2% x Final Compensation* = Annual Maximum Pension.</td>
</tr>
<tr>
<td></td>
<td>Up to 30 years plus 1% for each year over 30 years.</td>
</tr>
<tr>
<td><strong>Type 2 Eligibility</strong></td>
<td>Age 55 or older, with at least 20 years of service (but less than 25 years of service); or 20 or more years of service at any age, but less than 25 years of service (if enrolled prior to 1/18/2000).</td>
</tr>
<tr>
<td><strong>Benefit Formula</strong></td>
<td>50% x Final Compensation = Annual Maximum Pension.</td>
</tr>
<tr>
<td><strong>Type 3 Eligibility</strong></td>
<td>Mandatory Retirement at 65, with 20 or more years of service but less than 25 years of service.**</td>
</tr>
<tr>
<td><strong>Benefit Formula</strong></td>
<td>50% x Final Compensation,* plus 3% x Final Compensation* for each year of service over 20, up to 25 years = Annual Maximum Pension.</td>
</tr>
<tr>
<td><strong>Type 4 Eligibility</strong></td>
<td>40 or more years of service credit.</td>
</tr>
<tr>
<td><strong>Benefit Formula</strong></td>
<td>70% x Final Compensation,* plus an additional 1% x Final Compensation* for each year of service credit over 40 years = Annual Maximum Pension.</td>
</tr>
<tr>
<td><strong>Notes</strong></td>
<td>*Final Compensation is defined differently for Tier 1 members versus Tier 2 and Tier 3 members. **Mandatory retirement at age 65, except for elected officials.</td>
</tr>
</tbody>
</table>

## Special Retirement

<table>
<thead>
<tr>
<th>Eligibility</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eligibility</strong></td>
<td>Any age with 25 or more years of service credit in the PFRS.</td>
</tr>
<tr>
<td><strong>Benefit Formula Tier 1 and Tier 2</strong></td>
<td>65% x Final Compensation* plus 1% per year over 25 years (up to 30 years) = Annual Maximum Pension.</td>
</tr>
<tr>
<td></td>
<td>Maximum Benefit = 70% of Final Compensation.</td>
</tr>
<tr>
<td><strong>Benefit Formula Tier 3</strong></td>
<td>60% x Final Compensation* plus 1% per year over 25 years (up to 30 years) = Annual Maximum Pension.</td>
</tr>
<tr>
<td></td>
<td>Maximum Benefit = 65% of Final Compensation.</td>
</tr>
<tr>
<td><strong>Note</strong></td>
<td>*Final Compensation is defined differently for Tier 1 members versus Tier 2 and Tier 3 members.</td>
</tr>
</tbody>
</table>

## Deferred Retirement

<table>
<thead>
<tr>
<th>Eligibility</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eligibility</strong></td>
<td>10 or more years of service credit.</td>
</tr>
<tr>
<td><strong>Effective Date</strong></td>
<td>First month after member turns age 55.</td>
</tr>
<tr>
<td><strong>Benefit Formula</strong></td>
<td>Years of service x 2% x Final Compensation* = Annual Maximum Pension.</td>
</tr>
<tr>
<td></td>
<td>*Final Compensation is defined differently for Tier 1 members versus Tier 2 and Tier 3 members.</td>
</tr>
</tbody>
</table>
## ORDINARY DISABILITY, ACCIDENTAL DISABILITY, INVOLUNTARY DISABILITY, AND SPECIAL DISABILITY RETIREMENTS

**Ordinary Disability Retirement**

| Eligibility | 1. The Medical Review Board and Board of Trustees must deem the member totally and permanently disabled from doing normal job duties.  
2. Application must normally be made while still on payroll or on an approved paid or unpaid leave of absence with the employer. The member must be considered in service with the employer. See information below regarding what is regarded as in service.  
3. Member must have a minimum of four years of New Jersey service credit (Out-of-State, U.S. Government, and Military purchases cannot be used to attain the four years).  

**Note:** A member in service means that the member or the employer was making pension contributions to the retirement system at the time of filing the application for a Disability Retirement allowance. It may also mean that the member was on an approved leave of absence, paid or unpaid, or suspension, paid or unpaid, at the time of filing the application for Disability Retirement allowance, and it has not been more than the time frames permitted by N.J.S.A. 43:16A-9(5)a for active membership since the member's last contribution to the retirement system. If the member has pending litigation for wrongful termination filed against the employer, the member has 30 days from the date the litigation is resolved to file for Disability Retirement in order to be considered a member in service. |

| Benefit Formula | Higher calculation of the following formulas:  
• 40% x Final Compensation = Annual Maximum Pension; or  
• 1.5% x Final Compensation for each year of service credit.  

**Note:** Final Compensation is defined differently for Tier 1 members versus Tier 2 and Tier 3 members. |

| Member Responsibilities | 1. Complete a Retirement Application through MBOS.  
2. Have medical providers complete the Medical Examination by Personal or Treating Physician forms. Forms from at least two treating physicians are required. Alternatively, one of these forms may be substituted with a completed Authorization to Disclose Hospital Records from a hospital stay related to the disability.  

**Note:** Once the PFRSNJ Board of Trustees grants approval for a Disability Retirement, the member may only cancel the retirement by submitting a letter requesting to do so 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 would then send the member for an Independent Medical Examination (IME), and all medical information would be again submitted to the Medical Review Board. Once all of the above information is received, the Board of Trustees would make a determination of whether member is able to return to work. |

| Employer Responsibilities | 1. Complete a Certification of Service and Final Salary via EPIC as soon as possible upon learning of the member's retirement.  
2. Submit copies of indictments, convictions, and/or preliminary and final notices of disciplinary action if you certified that the former employee was dismissed for cause. |
## Accidental Disability Retirement

| Eligibility* | 1. The Medical Review Board and Board of Trustees must deem the member totally and permanently disabled from doing normal job duties as a Direct Result of a Traumatic Event.  
2. Must be processed through Disability Review Procedure.  
3. Application must normally be made within five years of accident date, and;  
4. Member must still be on an approved leave of absence with the employer. The member must be considered in service with the employer (please see information below regarding what is regarded as in service).  

**Note:** A member in service means that the member or the employer was making pension contributions to the retirement system at the time of filing the application for a Disability Retirement allowance. It may also mean that the member was on an approved leave of absence, paid or unpaid, or suspension, paid or unpaid, at the time of filing the application for a Disability Retirement allowance, and it has not been more than the time frames permitted by N.J.S.A. 43:16A-9(5)a for active membership since the member's last contribution to the retirement system. If the member had pending litigation for wrongful termination filed against the employer, the member has 30 days from the date the litigation is resolved to file for Disability Retirement in order to be considered a member in service.

| Benefit Formula | Higher calculation of the following formulas:  
• 2/3 x Final Salary at time of accident (traumatic event) = Annual Maximum Pension; or  
• 2/3 x Final Salary (at time of retirement) = Annual Maximum Pension, whichever is greater.

| Member Responsibilities | 1. Complete a Retirement Application through MBOS.  
2. Supply proof of age document for member.  
3. Have medical providers complete the Medical Examination by Personal or Treating Physician forms. Forms from at least two treating physicians are required. Alternatively, one of these forms may be substituted with a completed Authorization to Disclose Hospital Records from a hospital stay related to the disability.  

**Note:** Once the PFRS NJ Board of Trustees grants approval for a Disability Retirement, the member may only cancel the retirement by submitting a letter requesting to do so 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 would then send the member for an IME, and all medical information would be again submitted to the Medical Review Board. Once all of the above information is received, the Board of Trustees would make a determination of whether member is able to return to work.

| Employer Responsibilities | 1. Complete the Employer Certification for Disability Retirement via EPIC as soon as possible upon learning of member's retirement.  
2. Submit copies of indictments, convictions, and/or preliminary and final notices of disciplinary action if you certified that the former employee was dismissed for cause.  
3. Submit accident reports that apply.  
4. Submit incident and witness reports, medical notes, etc., that apply.

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*Certain PFRS members may be eligible for an Accidental Disability Retirement benefit under the provisions of The Bill Ricci World Trade Center Rescue, Recovery, and Cleanup Operations Act (P.L. 2019, c. 157). Please refer to the Accidental Disability Retirement Under Chapter 157 Fact Sheet for more information.*
## Involuntary Disability Retirement

**Eligibility**
1. Employer considers member to be totally and permanently disabled, but the employee has yet to apply for retirement, and
2. Member must otherwise qualify for Ordinary or Accidental Disability Retirement.

**Benefit Formula for Involuntary Ordinary Disability**
For members having four or more but less than 20 years of service credit,* the calculation is the same as the regular Ordinary Disability Retirement calculation:

\[ 40\% \times \text{Final Compensation} = \text{Annual Maximum Pension}. \]

For members with 20 but less than 25 years of service credit,* the special Involuntary Disability Retirement calculation is:

\[ 50\% \times \text{Final Compensation plus 3\% for each year over 20 (up to 25 years)} = \text{Annual Maximum Pension}. \]

*Out-of-State, U.S. Government, and Military Service purchases may not be used to qualify for an Involuntary Disability Retirement or to qualify for the higher benefit for members with 20 but less than 25 years of service.

**Benefit Formula for Involuntary Accidental Disability**
Higher calculation of the following formulas:
- \[ 2/3 \times \text{Final Salary at time of accident (traumatic event)} = \text{Annual Maximum Pension}; \]
- \[ 2/3 \times \text{Final Salary (at time of retirement)} = \text{Annual Maximum Pension, whichever is greater}. \]

**Member Responsibilities**
1. Supply proof of age document for member.
2. Have medical providers complete the *Medical Examination by Personal or Treating Physician* forms. Forms from at least two treating physicians are required. Alternatively, one of these forms may be substituted with a completed *Authorization to Disclose Hospital Records* from a hospital stay related to the disability.
3. Complete the *Authorization for Release of Information (HIPAA)*.

**Note:** Once the PFRSNJ Board of Trustees grants approval for a Disability Retirement, the member may only cancel the retirement by submitting a letter requesting to do so to the Board of Trustees, with a written statement from his/her physician expressing that the member can return to work. The Disability Review Section would then send the member for an IME, and all medical information would be again submitted to the Medical Review Board. Once all of the above information is received, the Board of Trustees would make a determination of whether member is able to return to work.

Also, when an employer submits a *Retirement Application* for a member's Involuntary Disability Retirement, the member may not change the date of retirement indicated by the employer.

**Employer Responsibilities**
1. Complete a *Retirement Application* on behalf of the member through EPIC.
2. Select “Estate” as beneficiary. The member will have the opportunity to update it later.
3. Complete the *Employer Certification for Disability Retirement* via EPIC.
4. State employees must also submit a letter from the Department Head addressed to the NJDPB stating that, in the employing authority's opinion, the member is totally and permanently disabled from fulfilling his or her job duties, and enclose pertinent medical records.

Local employers must also submit a resolution authorizing the employing location to process an application for Involuntary Disability Retirement and enclose any pertinent medical records.
### Special Disability Retirement

| **Eligibility** | 1. The Medical Review Board and Board of Trustees must deem the member totally and permanently disabled from doing normal job duties.  
2. Application must normally be made while still on payroll or on an approved leave of absence with the employer. The member must be considered in service with the employer.  
3. Member must have a minimum of five years New Jersey service credit.  
4. Member must receive a heart transplant.  
5. Member must be under 55 years of age. |
| **Benefit Formula** | 50% \times \text{Final Compensation} = \text{Annual Maximum Pension.} |
| **Member Responsibilities** | 1. Complete a *Retirement Application* online through MBOS.  
2. Supply proof of age document for member.  
3. Have medical providers complete the *Medical Examination by Personal or Treating Physician* forms (as many as necessary, but forms from at least two are recommended).  
*Note:* Once the PFRSNJ Board of Trustees grants approval for a Special Disability Retirement, the member may not cancel the retirement. |
| **Employer Responsibilities** | 1. Complete the *Employer Certification for Disability Retirement* through EPIC as soon as possible upon learning of member's retirement.  
2. Submit copies of indictments, convictions, and/or preliminary and final notices of disciplinary action if you certified that the former employee was dismissed for cause. |
Group Life Insurance Coverage
NONCONTRIBUTORY GROUP LIFE INSURANCE

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

The benefit value of the group life insurance is 3.5 x salary. Salary is the total base salary upon which pension contributions were based during the last 12 months preceding the death of the member during active service.

ENROLLING IN GROUP LIFE INSURANCE

Enrollment in group life insurance is accomplished through completion of the Enrollment Application, and coverage is effective beginning on the date of pension membership. The only exception is for employees who were previously enrolled and who converted their group life insurance to a private policy. If returning to work, they are not eligible for coverage until they cancel their non-group coverage.

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 member must log into 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.

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 of record. This certificate is an important document and should be safeguarded by the member.

Changing a Group Life Insurance Beneficiary Designation

A member may change group life insurance beneficiaries at any time. Members must use MBOS to provide updated beneficiary information. For the protection of members and beneficiaries, the NJDPB will only accept a designation change by completing 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 process. Retired members wishing to update their group life insurance beneficiaries after retirement may submit a Designation of Beneficiary form via MBOS or print out and submit a paper Retired Member Designation of Beneficiary form.

GROUP LIFE INSURANCE WHILE ON A LEAVE OF ABSENCE

Group life insurance coverage will continue in full force for 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 group 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.

Cancellation of Group Life Insurance

While on Leave of Absence

If the leave of absence extends beyond the time frames shown above, the group life insurance will terminate. The member has the option to convert the expired group life insurance to a private insurance policy.

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 group life insurance will automatically continue for the duration of the leave of absence for up to two years. During the interval between the time the member is without pay and the actual receipt of the Workers’ Compensation award, he/she must be on an official leave of absence granted by the employer.
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.

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 application is being processed, provided that the member is on an approved leave of absence with pay.

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.

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

To avoid taxation, a member may waive coverage by completing a Noncontributory Group Life Insurance in Excess of $50,000 Election Form and submitting it to the NJDPB. The form must be received by the NJDPB before December 31 to be effective January 1 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 group life insurance coverage over $50,000.

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

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

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

Determining the Taxable Amount of Group Life Insurance Coverage

To determine the taxable amount, take the amount of the group life 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 member is age 52 and has an annual base salary of $50,000. The member’s life insurance coverage totals $175,000 (3.5 x $50,000).

The fringe benefit amount is determined by subtracting $50,000 from the total benefit amount, ($175,000), which equals $125,000.

According to the IRS, the annual premium cost for an individual 52 years of age is $0.23 per $1,000 of coverage per month. The premium cost in this example is $345.00 (125 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 $345.00 in taxes, but that $345.00 would be added to the member’s taxable wages for the year.

In this example, the member could waive $125,000 of life insurance coverage because members are only permitted to waive coverage over $50,000. The net taxable value would be reduced to $0.00.

WAIVING GROUP LIFE INSURANCE OVER $50,000

N.J.S.A. 43:4C-1 permits members of the State retirement systems to waive their group life insurance over $50,000 to avoid a possible federal and State tax liability on that benefit. Any member who waives the group life insurance must waive the total amount of group life insurance coverage in excess of $50,000. Waivers of partial amounts are not permitted.
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 Noncontributory Group Life Insurance in Excess of $50,000 Election Form to the NJDPB. The reinstatement will become effective January 1 of the next calendar year.

The NJDPB will notify the employer on a periodic basis of the reinstatements of Noncontributory Group Life 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.

<table>
<thead>
<tr>
<th>Paid-Up Group Life Insurance Upon Retirement for PFRS Members</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>While Active</td>
<td>When Retired</td>
</tr>
<tr>
<td>3.5 x salary*</td>
<td>50% x salary</td>
</tr>
</tbody>
</table>

*Salary is the total base Salary upon which pension contributions were based during the last 12 months preceding retirement or death during active service.

**Paid-Up Group Life Insurance for Disability Retirements**

If a member retires on a Disability Retirement, the group life insurance benefit remains at the active level until the member reaches normal retirement age (55 for PFRS). 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 an individual, non-group policy through Prudential.

**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 through Prudential. This 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 any 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**

<table>
<thead>
<tr>
<th>Upon Termination of Employment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A member has a base salary of $40,000 in the 12 months prior to termination.</td>
<td></td>
</tr>
<tr>
<td>• The death benefit would be $140,000 (3.5 x $40,000).</td>
<td></td>
</tr>
<tr>
<td>• If the member decides to convert the insurance coverage, (s)he could purchase up to $140,000 worth of life insurance.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Upon a Service Retirement</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A member had a base salary of $60,000 during the year before retirement. Active coverage = 3.5 x $60,000 = $210,000.</td>
<td></td>
</tr>
<tr>
<td>• At retirement, the benefit would be reduced to 50% of the salary ($30,000).</td>
<td></td>
</tr>
<tr>
<td>• Difference in group life insurance coverage: $210,000 - $30,000 = $180,000.</td>
<td></td>
</tr>
<tr>
<td>• $180,000 could be converted to an individual policy with Prudential at retirement.</td>
<td></td>
</tr>
</tbody>
</table>
Insurance Amounts
That May Be Converted — Examples

Upon a Disability Retirement
A member has a base salary of $46,000 the year before retiring on an Ordinary Disability Retirement at age 39.

• The member continues to have group life insurance coverage equal to 3.5 x $46,000, or $161,000, until reaching the service retirement age of 55.

• At age 55, the group life insurance benefit would be reduced to 50% of final salary, or $23,000.

• The member may then convert $138,000 in coverage to an individual, non-group policy with Prudential.

Upon a Deferred Retirement
A member has a base salary of $36,000 during his final year of employment, making the active death benefit $126,000 (3.5 x $36,000).

• The member leaves employment at age 36 and takes a Deferred Retirement, payable at age 55.

• When retired at age 55, the member will have paid-up life insurance of $12,000 (50% of salary).

• Until age 55, the member has no group life insurance in effect.

• Within 31 days of terminating employment (not at retirement age), the member would be allowed to convert $114,000 of insurance to 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 G-14800. 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 before the member can be covered by group life insurance through the retirement system.
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, survivor of the deceased, or employer should provide the required information at the time of notification, including: the member’s name, current address, Social Security 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 calling (609) 292-7524 and selecting the “Report a Death” option, or by email, are both acceptable means of reporting a member’s death. 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. See the Death of a Member Fact Sheet for further information about reporting a death.

PAYMENT OF PENSION TO A FAMILY MEMBER

Upon the death of an employed or retired member, the spouse, civil union partner, domestic partner, child(ren), or dependent parents of the member may be entitled to a monthly pension. The benefits vary according to the status of the member at the time of the death. The terms used in the explanations of benefits are defined here.

Spouse — A person to whom the member was married on the date of his or her death and who has not remarried or entered into a civil union (except for an Accidental Death Benefit). A photocopy of the Marriage Certificate is required for verification.

Civil Union Partner — A person of the same sex as defined by N.J.S.A. 37:1-29, with whom the member was partnered in a civil union until the date of his or her death and who has not entered into a new civil union or married (except for an Accidental Death Benefit). A photocopy of the New Jersey Civil Union Certificate or a valid certification from another jurisdiction that recognizes same-sex civil unions is required for verification. See the Civil Unions and Domestic Partnerships Fact Sheet for details.

Domestic Partner — A person of the same sex as defined by N.J.S.A. 26:8A-1, with whom the member was partnered in a domestic partnership until the date of his or her death and who has not entered into a civil union or married (except for an Accidental Death Benefit). See the Civil Unions and Domestic Partnerships Fact Sheet for details.

Child — The member’s unmarried child:
• Under the age of 18; or
• 18 years of age or older and enrolled in high school; or
• Any age who, at the time of the member’s death, is disabled because of mental or physical disability and is incapable of substantial gainful employment because of the impairment. This incapacity must be expected to last for a continuous period of not less than 12 months as determined by the Medical Review Board; or
• For an Accidental Death Benefit, a child may also mean an unmarried child under the age of 24 who is enrolled in college in a degree program for at least 12 hours per semester.

Parent — The member’s parent who was receiving at least 50 percent support from the member in the 12 months immediately preceding the member’s death (or the accident which led to the member’s death in cases of an Accidental Death Benefit). The dependency of the parent will be considered terminated if he or she remarries after the death of the member.

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 active group life insurance benefit. PFRS group life insurance benefits consist of Noncontributory Group Life Insurance only, depending on the membership status at the time of death. In addition, the surviving spouse/partner is eligible to receive a pension benefit equal to 50 percent of the member’s Final Compensation.

Final Compensation — for a Tier 1 member, Final Compensation means the salary upon which pension contributions were based in the last 12 months of creditable service preceding the member’s death as an active member.

For a Tier 2 or Tier 3 member, Final Compensation means the average salary upon which pension contributions were based for any three fiscal years of membership preceding the member’s death as an active member that provides the largest possible benefit.

If there is no surviving spouse/partner, the following benefit is payable to eligible children:
• 50 percent of Final Compensation to three or more eligible children;
• 35 percent of Final Compensation to two eligible children; or
• 20 percent of Final Compensation to one eligible child.

If there is no surviving spouse/partner or children, a pension is paid to eligible parents as follows:
• 40 percent of Final Compensation to two parents; or
• 25 percent of Final Compensation to one parent.
If there is no surviving spouse/partner, children, or parents, the employee’s contributions to the retirement system are paid to the named beneficiary. In the event that a specific beneficiary is not named, the funds will be paid to the member’s estate.

EMPLOYER RESPONSIBILITIES

Complete 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.

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.

On the P-29 form, indicate 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 returned to the NJDPB within three days of receipt. Faxes are acceptable to initiate a 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 a 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 result of an accident during the performance of his or her regular or assigned duties, and the member’s death is not a result of willful negligence, the family may be entitled to an Accidental Death Benefit. A report of an accident must be filed with the retirement system within 60 days of the accident. An Application for Accidental Death Benefits must be filed within five years of the date of death.

Accidental Death benefits include the payment of group life insurance benefits, plus a pension benefit to the surviving spouse, civil union partner, or same-sex domestic partner, in the amount of 70 percent of the member’s Compensation.

Compensation — For all PFRS members, Compensation means the salary upon which pension contributions were based in the 12 months immediately preceding the member’s death or the accident which led to the death. This is a lifetime benefit for the surviving spouse/partner of the deceased PFRS member; it will continue regardless of whether the surviving spouse or partner subsequently remarries or enters into a civil union after the member’s date of death.

If there is no eligible surviving spouse/partner, or if the surviving spouse/partner dies, a pension is paid to the member’s eligible children, in equal shares, in the amount of 70 percent of the member’s Compensation. If there is no eligible surviving spouse/partner or children, a pension will be paid to the member’s eligible dependent parents in these amounts:

- 40 percent of Compensation to two eligible parents;
- 25 percent of Compensation to one eligible parent.

All requests for Accidental Death benefits should be referred to the PFRSNJ 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 form;
- Employer’s Accident Report;
- Police Report and/or Autopsy Report; and
- Witness Statements.

The NJDPB will request the following information from the surviving spouse/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.

**DEATH IN THE COURSE OF VOLUNTEER SERVICE (VESPBENEFIT)**

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, expanding the survivors who are eligible for the survivor benefit, and increasing the annual pension payable.

**Eligible Volunteer Personnel**

Volunteer personnel who are eligible for this benefit include:

- Firefighters;
- First Aid Workers;
- Rescue Squad Workers; and
- Emergency Medical Technicians.

When a volunteer emergency service worker 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/partner, children, or parent 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.

**Survivor’s Pension**

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

If there is no surviving spouse or partner or the surviving spouse or 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, partner, or minor children, an annual pension of $5,000 will be paid to the parents of the volunteer.

**Additional Information**

For additional information about the VESP Benefit, please see:

- The Volunteer Emergency Worker’s Survivors Pension (VESPB) Fact Sheet
- Application for Volunteer Emergency-Worker’s Survivors Pension (VESPB)
Withdrawals
OVERVIEW
Any PFRS 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
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. No interest is credited to the accounts of PFRS members.

There are no provisions for partial withdrawals. The NJDPB also offers an Automated Information System at (609) 292-7524 for general withdrawal information, or information pertaining to an individual withdrawal claim.

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 the 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.

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, separate applications 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. 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 will remain in the expired account until the member completes an Application for Withdrawal.

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 three years for a total of five years.

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 five years only gives the member the right to start contributing to the retirement system should he/she once again obtain PFRS 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. 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 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. For more information, see the Workers’ Compensation Fact Sheet.