

Applying for Retirement

Public Employees' Retirement System • Teachers' Pension and Annuity Fund

BEFORE YOU RETIRE

You should inquire about retirement at least six months before your retirement date. This will give you enough time to review your benefits and options. You may also request an *Estimate of Retirement Benefits*, which estimates your monthly retirement allowance, the benefits payable to your beneficiary upon your death under the various retirement options, and your life insurance benefits.

Obtain a Retirement Estimate

Members within two years of retirement can obtain an estimate of retirement benefits using the **Member Benefits Online System (MBOS)**. Estimates obtained through MBOS provide the most accurate information available by using the service and salary information currently posted to your account. You must be registered with MBOS. Registration is free.

To begin the registration process, go to:
www.state.nj.us/treasury/pensions/mbosregister.shtml
(select "Online Member Services - MBOS").

You can also hear an estimate of retirement benefits over the phone by calling the Division of Pensions and Benefits' Automated Information System at (609) 777-1777.

Or you can submit a *Request for Retirement Estimate* form which is available from your benefits administrator, the Division's Web site (select "Forms and Publications"), or by calling the Office of Client services at (609) 292-7524. The form must be forwarded to the Division. Please allow four to six weeks for manual processing.

If you provide us with the name and birth date of your beneficiary, we will estimate your Maximum Allowance along with alternate payment options to your beneficiary.

SUBMITTING YOUR APPLICATION

Applying for Retirement

You must meet all of the eligibility requirements for retirement and cannot submit an application more than one year prior to your retirement date. (Members eligible for a Deferred Retirement may file more than one year in advance upon termination of employment.)

The *Application for Retirement Allowance* can be submitted online using the Member Benefits Online System (MBOS). This is an easy, secure, and accurate way to apply for retirement.

You can also obtain an *Application for Retirement Allowance*:

- by printing it from the Division of Pensions and Benefits Web site at:
www.state.nj.us/treasury/pensions
- by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295;
- by contacting the Office of Client Services at (609) 292-7524; or
- by e-mail request to:
pensions.nj@treas.state.nj.us

Whether you apply for retirement online through MBOS or by written application, be sure to carefully read the instructions and the fact sheets about retirement prior to submission.

All retirements are effective the first of a month. Your application must be received by the Division of Pensions and Benefits before your retirement date. **Under no circumstances can a retirement become effective prior to the date the application is received by the Division of Pensions and Benefits.**

It is your responsibility to file for retirement. Four to six months advance filing is recommended.

Processing times vary and cannot begin until we have received all the necessary information from both you and your employer. **Your employer will be notified that you have filed an application for retirement.**

If you have not furnished proof of your age to the Division of Pensions and Benefits, you must submit a photocopy of your proof of age to the Division.

Proof of age for your beneficiary is required under Options A, B, C, D, 2, 3, and 4. For an explanation of your options at retirement see Fact Sheet #5, *Pension Options*.

Note: Members should allow additional processing time for Option 4 retirements with multiple beneficiaries.

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

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

TYPES OF RETIREMENT

With the passage of recent legislation the enrollment and retirement criteria has changed for PERS and TPAF members enrolled as of certain dates. These differences in PERS and TPAF membership — referred to as “**membership tiers**” are defined as follows:

- **Membership Tier 1** — Members who were enrolled *prior to* July 1, 2007.
- **Membership Tier 2** — Members who were eligible to enroll *on or after* July 1, 2007 and *prior to* November 2, 2008 — pursuant to the provisions of Chapters 92 and 103, P.L. 2007.
- **Membership Tier 3** — Members eligible to enroll *on or after* November 2, 2008 and *on or before* May 21, 2010 — pursuant to the provisions of Chapter 89, P.L. 2008.
- **Membership Tier 4** — Members eligible to enroll *after* May 21, 2010 and *before* June 28,

2011 — pursuant to the provisions of Chapter 1, P.L. 2010.

- **Membership Tier 5** — Members eligible to enroll *on or after* June 28, 2011— pursuant to the provisions of Chapter 78, P.L. 2011.

Please note: Age requirements and benefit formulas for certain types of retirement vary by membership tier.

There are several types of retirement for which you may qualify.

Service Retirement

Available to **Tier 1** and **Tier 2** members upon reaching age **60** or older; or to **Tier 3** and **Tier 4** members upon reaching age **62** or older; or to **Tier 5** members upon reaching age **65**. No minimum amount of pension service credit is required.

The formula to calculate the maximum annual pension for **Tier 1, Tier 2** and **Tier 3** is:

$$\frac{\text{Years of Service}}{55} \times \text{Final Average Salary} = \text{Maximum Annual Allowance}$$

The formula to calculate the maximum annual pension for **Tier 4** and **Tier 5** is:

$$\frac{\text{Years of Service}}{60} \times \text{Final Average Salary} = \text{Maximum Annual Allowance}$$

For example: A **Tier 1** member with 22 years of service would receive 22/55 or 40% of Final Average Salary. You receive a slightly higher percentage for each additional month of service.

‘**Years of Service**’ means the amount of membership credit you have accumulated in your account.

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

‘**Final Average Salary**’ for a PERS or TPAF member enrolled under membership **Tier 1, Tier 2,** or **Tier 3,** is the average salary for the 36 months (30 months for employees with 10 month contracts) immediately preceding your retirement. If your last three years are not your highest years of salary,

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your allowance will be calculated using your three highest fiscal years (July - June) of salary. If this is the case, you must indicate it on your retirement application.

For a PERS or TPAF member enrolled under **Tier 4** or **Tier 5**, Final Average Salary is the average of your salary for the last **60 months** (50 months for employees with 10 month contracts) immediately preceding your retirement. If your last **five** years are not your highest years of salary, your allowance will be calculated using your five highest fiscal years (July - June) of salary.

Note: If your last years of salary are not your highest years, you must indicate it on the retirement application.

Early Retirement

Available to members who have **25 years** or more of pension membership service credit before reaching age **60** for **Tier 1** and **Tier 2** members, or before age **62** for **Tier 3** and **Tier 4** members; or with **30 years** or more of pension membership service credit before age **65** for **Tier 5** members. The benefit is calculated using the Service Retirement formula that applies to the membership tier.

- **For Tier 1 members** who retire before age **55**, your allowance is reduced 1/4 of 1 percent (3 percent per year) *for each month under age 55*.

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

- **For Tier 2 members** who retire before age **60**, your allowance is reduced 1/12 of 1 percent (1 percent per year) *for each month under age 60* through age 55, **and** 1/4 of 1 percent (3 percent per year) *for each month under age 55*.

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

- For **Tier 3** and **Tier 4** members who retire

before age **62**, your allowance is reduced 1/12 of 1 percent (1 percent per year) *for each month under age 62* through age 55, **and** 1/4 of 1 percent (3 percent per year) *for each month under age 55* (*Note: While the age reduction amount for Tier 3 and Tier 4 is the same, the retirement calculation formulas are different. See Service Retirement on page 2*)

For example: If you retire at age 54, you will receive 90 percent of your full retirement allowance. If you retire at age 57 you will receive 95 percent of your full retirement allowance.

- **For Tier 5 members** who retire before age **65**, with at least **30 years of service**, your allowance is reduced 3 percent per year (1/4 of 1 percent per month) *for each year under age 65*.

For example: if you retire at age 60, you will receive 85 percent of your full retirement allowance. If you retire at age 62, you will receive 91 percent of your full retirement allowance.

Veteran Retirement

Available to qualified military veterans. If you are not already listed as a veteran on the Division of Pensions and Benefits' records, you should submit a copy of your *Form DD 214* or discharge papers showing both your induction and discharge dates to:

NJ Department of Military and Veterans Affairs

ATTN: DVP-VBB

PO Box 340

Trenton, NJ 08625-0340

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

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

Qualified veterans must be in active employment until the effective date of retirement or must have met the requirements for a Veteran Retirement as of their termination date. The age requirements for calculating a Veteran retirement are the same for mem-

bership **Tier 1, Tier 2, Tier 3, Tier 4,** and **Tier 5.** A qualified veteran may retire with:

- 25 years of service credit at age 55 or older; or
- 20 years of service credit at age 60 or older; or
- 35 years of service credit at age 55 or older.
- Veterans meeting the age requirement with between 20 and 34 years of service credit will retire with an annual benefit equal to 54.5 percent of the salary upon which pension contributions were based during the last year of employment or highest 12 consecutive months of base salary.
- Veterans with 35 or more years of service credit at age 55 or older are entitled to an annual allowance based on the following formula:

$$\frac{\text{Years of Service}}{55} \times \frac{\text{Highest 12 Consecutive Months of Salary}}{12} = \text{Maximum Annual Allowance}$$

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

Deferred Retirement

Available to members who have at least 10 years of pension membership service credit (but less than 25 years) and who are not yet **60** years of age for **Tier 1** or **Tier 2** members; or **62** years of age for **Tier 3** or **Tier 4** members; or **65** years of age for **Tier 5**, when they terminate employment.

You must file an *Application for Retirement Allowance* **before** the Deferred Retirement can become effective and payments can begin. After filing and upon reaching age 60 (age 62 for Tier 3 and Tier 4 members or age 65 for Tier 5 members), you will begin to receive a retirement allowance based on the Service Retirement formula. If you do not file before you attain age 60 (age 62 for Tier 3 and Tier 4 members, or age 65 for Tier 5 members), your retirement will be effective on the first on the month *after* the Division of Pensions and Benefits receives your properly completed retirement application.

If you return to PERS or TPAF covered employment before your Deferred Retirement becomes effective, you may cancel your retirement and are eligible to maintain your original membership tier status provided you have not withdrawn your membership and it has not been more than two consecutive years since your last pension contribution. If, however, there has been a break in service of more than two consecutive years since your last pension contribution, or if you have withdrawn your account, you will be enrolled in a new PERS or TPAF account under the “membership tier” in effect at the time you return to employment.

Your group life insurance coverage is not in effect between the time you terminate employment and your Deferred Retirement becomes effective. If you die between the time you terminate employment and your retirement becomes effective, the beneficiary on your Deferred Retirement application will receive the return of your pension contributions with interest. If you have terminated employment and not filed for Deferred Retirement, the last named beneficiary on your account will receive the return of your pension contributions with interest. There is no other death benefit under these circumstances. At any time before your Deferred Retirement becomes effective you may change your mind and apply for withdrawal of your contributions instead. Once you cancel your Deferred Retirement and withdraw your contributions, all rights and privileges of pension membership end.

If a member is removed from employment for cause on charges of misconduct or delinquency, the member would be **ineligible** for deferred retirement benefits.

DISABILITY RETIREMENT

Disability retirement benefits are **only** available for **Tier 1, Tier 2** and **Tier 3** members. See Fact Sheet #15, *Disability Retirement*, for additional information.

Tier 4 and **Tier 5** members *may* be eligible for disability insurance coverage. See your employer or contact the Division of Pensions and Benefits, Office of Client Services for more information.

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SURVIVOR BENEFITS

Payment options are available that provide a portion of your pension benefit for a surviving spouse/partner, child, or other beneficiary. Please see Fact Sheet #5, *Pension Options*, for more information.

GROUP LIFE INSURANCE

Group Life Insurance for retired members of the PERS or TPAF who enrolled on or after July 1, 1971, is payable only if the member retired with 10 or more years of pension membership credit or retired on a disability retirement.

RETIRED GROUP LIFE INSURANCE**PERS Insurance Coverage While Retired**

Type of Retirement	Death Before Age 60	Death After Age 60
Disability	1½	3/16
Early & Veteran	3/16	3/16
Deferred Service	None	3/16
	N/A	3/16

TPAF Insurance Coverage While Retired

Type of Retirement	Member with Both Noncontributory and Contributory Insurance			
	Member with Noncontributory Insurance Only	Member with Both Noncontributory and Contributory Insurance	Member with Both Noncontributory and Contributory Insurance	Member with Both Noncontributory and Contributory Insurance
	Death Before Age 60	Death After Age 60	Death Before Age 60	Death After Age 60
Disability	1½	3/16	1¼	7/16
Early & Veteran	3/16	3/16	7/16	7/16
Deferred Service	None	3/16	None	7/16
	N/A	3/16	N/A	7/16

Note: The fractions shown on page 4 apply to the total base salary upon which pension contributions were based during the year preceding retirement (or for TPAF members only the highest contractual year).

Designating a Beneficiary

At retirement, you are asked on your application to name a beneficiary(ies) for pension benefits and separately name beneficiaries for group life insurance benefits. Some restrictions apply to who may be named for pension benefits, however, you may name any person, organization, your estate, or trust as beneficiary for group life insurance benefits. When a retired member dies, the named beneficiaries are entitled to the payment of any group life insurance benefits (certain restrictions apply in cases of divorce, see Fact Sheet #42, *Divorce and Your Retirement Benefits*, for details). Please note that the beneficiary designation indicated on your retirement application will supersede all prior designations, even if your retirement is not yet effective or if you cancel your retirement. The Division of Pensions and Benefits will honor this as your most recent beneficiary designation on file, unless another *Designation of Beneficiary* form is filed **after** the retirement application.

You may change your group life insurance designation at any time during your retirement by filing a properly completed *Designation of Beneficiary* form. The *Designation of Beneficiary* form can be obtained by contacting the Division or on our Web site at: www.state.nj.us/treasury/pensions

If you have additional questions regarding designations, please see Fact Sheet #68, *Designating a Beneficiary*.

For your protection, beneficiary designations cannot be accepted or confirmed over the telephone or by e-mail. The Division will only accept a written request from the member.

Note: If, after you file your retirement application, you die prior to your retirement date, any retirement benefits payable to a beneficiary cannot be paid until the retirement date that you designated on your retirement application (Chapter 221, P.L. 1995).

Conversion

For most members, group life insurance is reduced at retirement. You have 31 days after termination of employment to convert the amount of insurance that was reduced to private individual insurance coverage. If you wish to supplement this coverage with

either a conversion policy from the Prudential Life Insurance Company, or a policy from another insurance carrier, it is best to begin exploring your options at least four to six months prior to your retirement. However, **you cannot file to convert your life insurance any earlier than six months prior to your retirement date.**

To estimate the cost of conversion to a private policy with the Prudential Life Insurance Company, contact a Prudential agent or use the conversion calculator on the Division of Pensions and Benefits Web site. For additional information see Fact Sheet #13, *Conversion of Group Life Insurance*.

HEALTH BENEFITS

Your Application for Retirement Allowance does not automatically enroll you in retired health benefits coverage.

Employees who are covered by the State Health Benefits Program (SHBP) or School Employees' Health Benefits Program (SEHBP) through their employer will be offered retired group SHBP or SEHBP coverage when they retire. In addition, some employers have agreed to pay for some or all the cost of SHBP or SEHBP coverage for retirees with 25 or more years of service credit (and in some cases retirees on disability retirements).

If eligible for SHBP or SEHBP retired group coverage, you will receive a letter approximately three months before your retirement date offering you enrollment in the SHBP or SEHBP.

Fact Sheet #11, *Enrolling in Health Benefits Coverage When You Retire*, provides information about continuing your SHBP or SEHBP coverage in retirement.

If you are not covered by the SHBP or the SEHBP, contact your employer about your options for continuing your health benefits coverage.

COST-OF-LIVING ADJUSTMENTS

With the passing of Chapter 78, P.L. 2011, Cost-of-Living Adjustments (COLA) are suspended for all current and future retirees of all retirement systems. No further COLA increases will be granted. The law does not reduce any COLA increases that have already been added to retiree benefits.

For more information see Fact Sheet #18, *Cost-of-Living Adjustments*, for more information.

CANCELLING OR CHANGING YOUR RETIREMENT DATE

The following are some important points to remember if you consider changing your retirement to a later date or canceling your retirement:

- You may change or cancel your retirement up until 30 days immediately following your retirement date, or 30 days after the approval of your retirement by the Board of Trustees, whichever is later.

Note: You cannot cancel or change the date for a *disability retirement* once it has been approved by the Board of Trustees.

- If you cancel or change your retirement date, it is your responsibility to notify your employer to ensure that any active health benefits are not canceled and your employment remains uninterrupted.
- Canceling or changing your retirement date does not guarantee continued employment with your employer.

EMPLOYMENT AFTER RETIREMENT

Most *private employment* will not affect your retirement benefits.

However, returning to *public employment* in New Jersey after your retirement may jeopardize your retirement benefits.

If you return to employment in a position *covered by the same retirement system* from which you retired, you should expect to cancel your retirement and reenroll in the retirement system.

In addition:

- Retirees who returns to public employment before age 59½ may be subject to 10 percent additional federal tax withholding for an in service distribution under the Internal Revenue Code.
- if you *pre-arrange* with your employer to return to employment in any capacity, **or** it is otherwise determined that your retirement is not "bona fide" **or** the employer/employee relation-

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ship was not completely severed, your retirement may be determined to be invalid and you would be required to reimburse the retirement system for the amount of any retirement benefits you received from the date of retirement.

Before you consider returning to any public employment, see Fact Sheet #21, *Employment After Retirement (PERS)* or Fact Sheet #28, *Employment After Retirement (TPAF)*, for the limitations and procedures for returning to public employment in New Jersey.

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**New Jersey Division of Pensions and Benefits • PO Box 295 • Trenton, New Jersey 08625-0295
(609) 292-7524 • TDD for the hearing impaired (609) 292-7718**

URL: <http://www.state.nj.us/treasury/pensions> • E-mail: pensions.nj@treas.state.nj.us

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