

Applying for Retirement

Police and Firemen's Retirement System

MANDATORY RETIREMENT

Effective July 1, 1997, **retirement is mandatory at age 65** for all Police and Firemen's Retirement System (PFRS) members except for elected officials. If you do not file a retirement application before age 65, you are automatically retired on the first of the month following your 65th birthday. Retirement benefits, however, are not payable until the application is filed.

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

BEFORE YOU RETIRE

You should inquire about retirement at least six months before your retirement date. This will give you enough time to review the benefits that are available to you in retirement.

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 PFRS 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.

SUBMITTING YOUR APPLICATION

You must meet all of the eligibility requirements for retirement and **cannot submit an application for retirement more than one year before your retire-**

ment 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.

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

The following types of retirement benefits are calculated using your "Years of Service" and "Final Compensation."

- **"Years of Service"** means the amount of membership service you have credited to your account.
- **"Final Compensation"** - For a PFRS **Tier 1** member enrolled *on or before* May 21, 2010, Final Compensation means the salary upon which contributions were based in the last 12 months of creditable service preceding retirement.

For a PFRS **Tier 2** member (enrolled *after* May 21, 2010 and *on or before* June 28, 2011) or a PFRS **Tier 3** member (enrolled *after* June, 28 2011), Final Compensation means the *average* salary upon which pension contributions were based for any *three fiscal years* of membership preceding retirement that provides the largest possible benefit.

Final Compensation does not include extra pay for overtime or large increases in compensation paid primarily in anticipation of retirement.

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

Service Retirement

This type of retirement is available at age 55 with no minimum amount of service required.

Service Retirement is also available to members of any age with 20 or more years of service credit who were members of the PFRS on January 18, 2000.

The benefit calculations are as follows:

- If you have less than 20 years of service credit, you will receive 2 percent of your Final Compensation for each year of service.
- If you have at least 20 years but less than 25 years of service credit, you will receive 50 percent of your Final Compensation.

- If you are age 65 (mandatory retirement age) and have 20 or more years of service credit, you will receive 50 percent of your Final Compensation, plus three percent of your Final Compensation for each year of service over 20, up to 25 years, if enrolled in the PFRS as of January 18, 2000.
- If you have at least 30 years of service credit, you will receive 2 percent per year of your average Final Compensation for the first 30 years of service, plus an additional one percent of your average Final Compensation for each year of service credit over 30 years.

Special Retirement

This type of retirement is available to members at any age who have 25 years or more of service credit in the PFRS.

For **Tier 1** and **Tier 2** members, the annual benefit is equal to 65 percent of your Final Compensation plus 1 percent for each year of service over 25 years but not to exceed 30 years. The maximum allowance is therefore 70 percent of your Final Compensation.

For **Tier 3** members, the annual benefit is equal to 60 percent of your Final Compensation plus 1 percent for each year of service over 25 years but not to exceed 30 years. The maximum allowance is therefore 65 percent of your Final Compensation.

Deferred Retirement

This type of retirement is available to members who have at least ten years of service credit and are not yet 55 years of age when they terminate employment. The annual benefit is equal to 2 percent of your Final Compensation for each year of service.

The effective date of a Deferred Retirement is the first of the month after you attain age 55. You must file an *Application for Retirement Allowance* to receive a Deferred Retirement, and you should file the application when you terminate covered employment.

If you are terminated for cause, you may not be eligible to receive Deferred Retirement benefits. The PFRS Board of Trustees will make that determination at the time you file your application.

Your group life insurance coverage is not in effect between the time you terminate employment and

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when your Deferred Retirement becomes effective. If you die before your Deferred Retirement becomes effective, the beneficiary on your retirement application will receive a return of your contributions, unless a subsequent *Designation of Beneficiary* form is filed.

There is no other death benefit under these circumstances.

For information about converting your group life insurance to an individual policy at termination, see Fact Sheet #13, *Conversion of Group Life Insurance*, which is available from your employer, by contacting the Division of Pensions and Benefits, or over the Internet at: www.state.nj.us/treasury/pensions

If you are covered by the State Health Benefits Program (SHBP) or the School Employees' Health Benefits Program (SEHBP), you will not be able to continue coverage under the SHBP/SEHBP retired group if you apply for a Deferred Retirement. However, you are entitled to continue coverage in the SHBP/SEHBP employee group for up to 18 months after termination of employment in accordance with federal COBRA laws. If your retirement allowance becomes due and payable during the 18 months of extended COBRA coverage, you would qualify for coverage in the SHBP/SEHBP retired group. In this case, you must contact the Division of Pensions and Benefits and request a health benefits offering letter within 60 days of your eligibility for the SHBP/SEHBP retired group coverage.

At any time before your Deferred Retirement becomes effective, you may change your mind and apply for a lump-sum withdrawal of your pension contributions. However, if you cancel your Deferred Retirement and withdraw your contributions, all the rights and privileges of membership will end.

Disability Retirement

For information about Disability Retirement, see Fact Sheet #16, *Disability Retirement Benefits*, which is available from your employer, by contacting the Division of Pensions and Benefits, or over the Internet at: www.state.nj.us/treasury/pensions

PAYMENT OF PENSION TO A SURVIVING FAMILY MEMBER

Upon your death as a retired member, your spouse, civil union partner or eligible domestic partner, and/or child(ren) may be entitled to a monthly pen-

sion. The terms used for the eligibility of these benefits are explained here.

"Spouse" means a person of the opposite sex to whom you are legally married. A photocopy of the *Marriage Certificate* is required for verification.

"Civil Union Partner" means a person of the same sex with whom you have entered into a civil union. A photocopy of the *New Jersey Civil Union Certificate* or a valid certification from another jurisdiction that recognizes same-sex civil unions is required for verification.

"Domestic Partner" is a same-sex domestic partner, as defined under Chapter 246, P.L. 2003, the Domestic Partnership Act, of any State employee, State retiree, or an eligible employee or retiree of a local public entity if the local governing body adopts a resolution to provide Chapter 246 pension benefits. A photocopy of the *New Jersey Certificate of Domestic Partnership* dated prior to February 19, 2007 or a valid certification from another jurisdiction that recognizes same-sex domestic partners is required for verification.

"Child" means your 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 your death, is disabled because of mental or physical incapacity and is incapable of substantial gainful employment because of the impairment. This incapacity must last, or be expected to last, for a continuous period of not less than 12 months as determined by the PFRS Medical Review Board.

Retired Member Death Benefit

Upon your death as a retired member, your surviving spouse or partner is eligible to receive a pension benefit equal to 50 percent of your Final Compensation, plus 15 percent of your Final Compensation for one child or 25 percent of your Final Compensation for two or more children. This benefit is payable for the lifetime of the spouse/partner, or until the spouse/partner remarries or enters into a new civil union or domestic partnership.

If there is no eligible surviving spouse or partner or your spouse/partner dies, remarries, or enters into a new civil union or domestic partnership, the following

benefit is payable to the minor 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.

GROUP LIFE INSURANCE

Most members of the retirement system are covered by group life insurance.

When you retire, the amount of your group life insurance will be equal to ½ of your Compensation.

If a retiree was enrolled as a member of the PFRS on or after July 1, 1971, life insurance is payable only if the member retired with 10 or more years of pension membership credit or retired on a disability retirement.

- **“Compensation”** means PFRS group life insurance benefits are calculated using the salary on which pension contributions were based in the last 12 months immediately preceding your death or retirement.

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

If eligible, 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 additional information about health benefits coverage in retirement.

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

Chapter 330

Chapter 330, P.L. 1997, provides health benefits under the SHBP or SEHBP to local (non-state employee) police officers and firefighters who retire after 25 years of service, or on a disability, and who do not receive any payment towards retiree health coverage from their employers.

If eligible, the State will pay 80 percent of the cost of the least expensive SHBP/SEHBP plan offered and the retiree then pays the remainder for the plan selected. A qualified retiree may enroll at the time of retirement or when becoming eligible for Medicare.

The eligibility of retired police officers and firefighters for benefits under Chapter 330 depends on the health benefits provided by the employer for retired police officers and firefighters as of the effective date of the law, July 1, 1998. These employer benefits are indicated in labor and other employment contracts, ordinances, and resolutions of the employers.

Additional information about Chapter 330 is available in Fact Sheet #47, *Health Benefits Retired Coverage Under Chapter 330*.

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

CANCELING 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 relationship 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.

Note: Certain police or fire supervisory positions require a minimum break in employment without pay of *six months or more* (per N.J.S.A. 43:16A-3.1).

Before you consider returning to any public employment, see Fact Sheet #29, *Employment After Retirement (PFRS)*, 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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