

Employment After Retirement

Teachers' Pension and Annuity Fund

This fact sheet provides information a Teachers' Pension and Annuity Fund (TPAF) retiree should consider when deciding on returning to the work force in either a full- or part-time capacity.

Working for private industry, the federal government, or a government agency in another state will not normally affect your TPAF retirement benefits. (See the special rules for Disability Retirees on page 4.)

Returning to public employment in New Jersey after retirement, however, could affect your benefits as shown in the following information.

IRS PROVISIONS

A TPAF retiree 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. Because this issue is fact sensitive, you should consult with the Internal Revenue Service or a qualified tax consultant and **are strongly advised to use caution if considering a return from retirement to public employment.**

BONA FIDE RETIREMENT

In applying the return to employment provisions described in this fact sheet, it is assumed that the TPAF retirement is considered to be "bona fide." This means the retiree has **made a good faith action to retire** and that **the employer/employee relationship is completely severed.**

- A "bona fide" retirement must also be "due and payable." Your retirement does not become "due and payable" until there has been a cessation of employment of *at least* 30 days following your retirement date, or 30 days following approval of your retirement by the TPAF Board of Trustees, whichever is later. If you return to a TPAF covered position — on either a paid or voluntary basis — before the 30 days have elapsed, you should expect to continue enrollment in the TPAF. Your retirement will be

considered invalid, and you will remain an active employee under your original TPAF account.

Note: N.J.A.C. 17:3-21 requires that employees who work a 10-month school year and retire on July 1 or August 1, must count the 30-day break in service from the start of the following normal school year in September.

Other situations where a retirement may not be considered "bona fide" include, but are not limited to, the following examples:

- If you make arrangements prior to your retirement to return to the same or similar public employment as a regular employee, contract employee, leased employee, or an independent contractor, the employer/employee relationship has not been completely severed — regardless of the length of any break in employment — and your retirement will be determined to be invalid. In this case you will remain an active employee under your TPAF account while in the new position.
- If you are re-employed or appointed by the same employer to the same or a similar position that would have qualified for continued membership in the retirement system had the retirement not occurred, this may indicate that the employer/employee relationship has not been completely severed and, therefore, your retirement may be determined to be invalid. In this case you will remain an active employee under your TPAF account while in the new position.

If your retirement is determined to be invalid (not "bona fide"), you will be required to reimburse the retirement system for the amount of any retirement benefits you receive from the date of retirement and be required to pay pension contributions in the form of back deductions going back to the reenrollment date. **There is no limitation on the amount of reimbursement that may be recovered by the retirement system in these situations.**

The information contained in the rest of this fact sheet assumes that the returning retiree has a “bona fide” retirement. If it is established at any time that the retirement was not made in good faith or that the employer/employee relationship was not completely severed, the provisions described below will not apply.

TPAF RETIREE RETURNING TO WORK IN A TPAF COVERED POSITION

TPAF Reenrollment Required

If, as a “bona fide” TPAF retiree, you accept regular employment in a position that makes you eligible for the TPAF, you must reenroll in the TPAF as a condition of employment (see exceptions in the next section “TPAF Enrollment Not Permitted”).

Membership in the TPAF is required if:

- You are appointed to a teaching or staff position requiring certification and are employed on a regular basis (contract employee) in a position covered by Social Security; and
- You work at least the minimum number of hours per week required for TPAF Tier 4 enrollment (32 hours per week for State education or local education employees).

Note: If you work less than the 32 hour minimum, see the “IRS Provisions” on page 1 about federal tax implications.

Your prospective employer should be able to tell you if the employment you are considering is covered by the TPAF. However, if there is any doubt, you should have the prospective employer contact the Division of Pensions and Benefits for verification prior to your accepting any public employment after retirement. You will be responsible for any penalties imposed based on violation of the law.

If reenrolled, your retirement allowance and any related health benefits will be canceled for the duration of your employment. If you die while in the second membership, no benefits from the previous membership or retirement are payable (except for the return of any uncollected contributions). This includes optional settlements and death benefits. (If you are over age 60, you must prove insurability for life insurance coverage.)

Your date of reenrollment is determined under the general enrollment procedures of the TPAF and you are treated as an active TPAF member in all respects. You will be enrolled in a new TPAF account under the membership tier in effect at the time you return to employment (see special rules for “Disability Retirees Restored to Active Service in the TPAF” on page 4).

TPAF Enrollment Not Permitted

Reenrollment in the TPAF is not required if you are a “bona fide” retiree and employed:

- As a per diem substitute;
- As a permanent or long-term substitute;
- As a temporary employee;
- As an interim replacement for a regular employee on approved leave of absence (provided the regular employee is not on terminal leave); or
- You work *less than* the minimum number of hours per week required for enrollment under TPAF Tier 4 membership — 32 hours per week for State education or local education employees (see the “IRS Provisions” on page 1 regarding federal tax implication — disability retirees should also see the special rules for “Disability Retirees Restored to Active Service in the TPAF” on page 4).

Generally, non-certificated personnel are ineligible for TPAF membership. Temporary, seasonal, or substitute teachers employed on a temporary basis are also ineligible. All other teachers whose positions require certification are required to participate in the TPAF if otherwise eligible, even if paid on an hourly or per diem basis.

Certificated Superintendent or Certificated Administrator

N.J.S.A. 18A:66-53.2(c) provides an exemption from the reenrollment after retirement provisions to retirees of the TPAF who are certificated superintendents or certificated administrators (this does not apply to those retired on a disability retirement — see page 4). Positions which require certificated administrators include that of superintendent, assis-

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tant superintendent, executive superintendent, principal, assistant principal, vice-principal, director, supervisor, school business administrator and State monitor. For a complete list of certificated administrator positions, please contact the New Jersey Department of Education.

A certificated superintendent or certificated administrator who becomes employed by the New Jersey Department of Education in a position of critical need as determined by the Commissioner of Education is exempt from the reenrollment provisions.

A certificated superintendent or certificated administrator who becomes employed by a board of education as a certificated superintendent or certificated administrator on a contractual basis for a term of not more than one year, is exempt from the reenrollment provisions. The contract for employment can be renewed for one additional year; however, the retiree's total period of employment with any individual board of education may not exceed a two-year period.

N.J.S.A. 18A:66-53.2(c) also provides that the TPAF pension reenrollment provisions will apply **if a retiree accepts employment within 120 days of retirement** with the same employer from which the member retired.

FAILURE TO ENROLL IN A TPAF ELIGIBLE POSITION

If you return to employment under the TPAF and

- You are eligible for membership but you fail to reenroll; or
- It is determined that your TPAF retirement is not "bona fide" (see page 1);

You will be required to reimburse the retirement system in the amount of all retirement benefits you received from the date you should have reenrolled and — if still employed — enroll in the TPAF. In addition, you will be required to pay pension contributions in the form of back deductions back to the date you should have been reenrolled. Your employer may also be liable for pension and Social Security contributions.

There is no limitation on the amount of reimbursement that may be recovered by the retirement system in these situations.

REENROLLMENT PROCEDURES

The following steps should occur when you are reemployed and reenrolled in the TPAF:

1. Your employer must submit a TPAF *Enrollment Application* on your behalf to the Division of Pensions and Benefits. You will be enrolled in a new TPAF account under the membership tier in effect at the time you are reemployed.
2. Your retirement allowance will be suspended as of the date you are required to reenroll. The date of enrollment is not negotiable. The Retirement Bureau of the Division of Pensions and Benefits will advise you of the suspension.
3. Your *Enrollment Application* will be processed and a *Certification of Payroll Deductions* will be sent to your employer. This certification will include instructions to collect pension contributions and any back deductions, if appropriate.
4. You will be billed for any retirement payments you received after the effective date of your new TPAF enrollment. Because of the sequence of events, most retirees are enrolled in the TPAF on a retroactive basis. You should therefore anticipate that you will be required to refund one or more pension checks to the retirement system.
5. On or before the effective date of your second retirement, you must file an *Application for Retirement Allowance*. You must meet all the qualifications and requirements for retirement under the TPAF membership tier of your second account. Your former retirement allowance and any option selection will be restored along with any appropriate cost-of-living adjustment due based upon your original date of retirement. In addition, you will receive a retirement allowance based upon your new period of service. These two calculations are paid in separate retirement checks.

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You cannot combine your first and second account to qualify for a different type of retirement — such as a Veteran Retirement. By law, the combined retirement allowances cannot be greater than the allowance you would have received if your first retirement had not occurred.

Note: Any additional allowance due as a result of the second period of service will be determined under the Service Retirement formula.

Service credit from your first and second account can be combined to satisfy the 25 years of service requirement for TPAF-paid School Employees' Health Benefits Program (SEHBP) coverage. In order to be eligible for this coverage, you must be eligible for employer-paid SEHBP or local employer coverage from your last employment in the TPAF.

RETURNING TO WORK COVERED BY A DIFFERENT STATE-ADMINISTERED RETIREMENT SYSTEM

If, as a “bona fide” retiree, you return to work covered by a different New Jersey State-administered retirement system, your TPAF retirement allowance may continue and you can receive salary from the employment; however, you cannot become a member of that retirement system (see “IRS Provisions” on page 1 about federal tax implications).

Elected Officials

Under N.J.S.A. 43:3C-3f a retired member of a State-administered retirement system who is elected to public office may either continue to receive a retirement benefit from the former employment and would not be eligible for enrollment in the new retirement system, **or** may suspend the retirement benefit from the former employment and enroll in the new retirement system while serving in the elected office (upon termination of the elected office, the retirement benefit from the former employment would be reinstated).

DISABILITY RETIREES — EARNINGS AFTER RETIREMENT

A disability retirement allowance may be adjusted if you have earnings from **any** occupation after retirement. If your pension, when added to the earnings

from other employment, exceeds what your former position currently pays, the law states that the disability pension shall be reduced dollar for dollar by the excess earnings above what the former position currently pays. TPAF disability retirees are subject to an annual earnings test and the Division of Pensions and Benefits may request copies of your federal tax returns, *Form W-2*, and *Form 4506T*.

DISABILITY RETIREES RESTORED TO ACTIVE SERVICE IN THE TPAF

If you are a disability retiree, before you can return to active service in a TPAF eligible title you must first prove to the satisfaction of the Board of Trustees that you are no longer disabled. A disability retiree must:

1. Make a written request to return to active service to the Division of Pensions and Benefits.
2. Submit a physician's report to the Division certifying that you are no longer disabled and can return to employment. The physician should be one with the same specialty as the physician who originally certified that you were disabled.
3. Be examined by a physician appointed by the TPAF Board of Trustees.
4. Be approved for return to active service by the TPAF Board of Trustees.

If approved to return to active service in a position covered by the TPAF, your original TPAF account and TPAF membership tier are restored — provided that you work the minimum number of hours or earn the minimum annual salary required for enrollment in your original TPAF membership tier (\$500 for Tier 1 or Tier 2 members or \$7,700 subject to annual adjustment for Tier 3 members*). When membership is restored, deductions for pension resume and you are treated as an active member in all respects.

Upon subsequent retirement, you must meet the retirement qualifications of your TPAF membership tier and file an *Application for Retirement Allowance*

**Tier 4 members are not eligible for Ordinary Disability or Accidental Disability Retirement, however, the member may qualify for disability insurance benefits.*

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with the Division of Pensions and Benefits before any benefits can be paid. You will receive a benefit based on total service.

OTHER CONSIDERATIONS

School Employees' Health Benefits Program Retired Group Coverage

Returning to public employment in New Jersey may affect your eligibility to continue coverage under the School Employees' Health Benefits Program (SEHBP). If your retirement allowance is suspended because you return to work in a position covered by the TPAF, your retired group SEHBP coverage is also suspended.

If you are eligible for SEHBP coverage based on your second retirement, the Division of Pensions and Benefits will send you an offering letter and a *Retired Coverage Enrollment Application* (for health benefits enrollment). Complete and return the application. You will be asked to submit payment with your application. If your previous coverage was TPAF-paid, attach a note to the application identifying your prior retirement account.

If you are not eligible for SEHBP coverage based on your second account, you must write to the Division to have your retired coverage from your first account reinstated.

Returning to a position that is not covered by the TPAF will not affect your eligibility for retired group coverage under the SEHBP. Maintaining SEHBP retired group coverage also does not affect your eligibility for active group health coverage associated with your new (non-TPAF) employment, provided that the active coverage is not through the SHBP or SEHBP — multiple SHBP/SEHBP coverage as **both** a retiree and an employee is prohibited.

Social Security Benefits

There is an earnings test for people under full retirement age receiving Social Security benefits. Check with the Social Security Administration at 1-800-772-1213 for information on earnings limits before accepting employment after retirement.

SELF EMPLOYMENT ISSUES

The Division of Pensions and Benefits is frequently approached by TPAF retirees who seek recognition as independent contractors rather than employees. Many of these retirees want to resume work similar to that performed while they were public employees without it affecting their eligibility to receive TPAF retirement benefits.

While it is the public agency's responsibility to correctly classify the worker's employer-employee relationship, our experience indicates that workers are frequently incorrectly identified as independent contractors when they are, in fact, employees of the agency.

As with any other return to employment from retirement, the employer and retiree should establish that the TPAF retirement is "bona fide." If there was any arrangement prior to retirement to return to employment **or** if the retiree returns to the same or similar public employment with the same employer — whether as a regular employee, contract employee, leased employee, or an independent contractor — the employer/employee relationship may not be completely severed and the retirement could be determined to be invalid (see "Bona Fide Retirement" on page 1 for more information).

Assuming that the original retirement is determined to be "bona fide", the Division of Pensions and Benefits, as a rule, accepts the tests and standards used by the Internal Revenue Service (IRS) to determine the employer-employee relationship. Since penalties levied by the IRS can be severe, both you (the worker) and the employer should give careful consideration before classifying you as an independent contractor. In addition to IRS penalties, in the event that you are incorrectly classified as an independent contractor, there are penalties relating to the TPAF. The employer will be assessed delinquent enrollment charges for failing to enroll you in the retirement system in a timely fashion. You will also be required to refund all retirement benefits received after the date enrollment should have occurred and pay any retroactive pension contributions due on the new TPAF account.

The IRS test to assess the employer-employee relationship includes the following factors:

The IRS test to assess the employer-employee relationship includes the following factors:

A) Behavioral Control – Included in this test are instructions and training.

(1) Instructions – if the individual receives extensive instructions on how work is to be done, this suggests an employee relationship exists. Ask how, when, or where the person is asked to do the work; what and who owns the tools or equipment used; what assistants are hired to help with the work and where and by whom supplies and services are purchased. If one receives less extensive instructions about what should be done, but not how it should be done, the person may be an independent contractor. Each of these factors will vary dependent upon the actual position.

(2) Training – If the business provides training about required procedures and methods, this indicates that the business wants the work done in a certain way, and that suggests that the individual may be an employee.

B) Financial Control – Included in this test are facts which would reveal whether there is a right to direct or control the business part of the work.

Examples are:

(1) If the individual has made a significant investment in a position, this may qualify as an independent contractor.

(2) If the individual is not reimbursed for some or all business expenses, he or she may qualify as an independent contractor, especially if unreimbursed business expenses are high.

(3) If the individual can realize a profit or incur a loss, this suggests that the person is in busi-

ness for themselves and may be an independent contractor.

C) Relationship to Parties – These are facts that illustrate how the business and the worker perceive their relationship.

For example:

(1) Does the person receive benefits such as paid leave or insurance? This may indicate employee status.

(2) Written contracts – A written contract may show what both the individual and the employer intend.

No one of these factors is controlling and the response to all factors must be weighed together, under the common law definition of "employment." However, one of the most important factors for consideration is whether the employer has the right to instruct and control the employee with respect to the details of the work that is performed by the employee.

There are several IRS documents that discuss how to evaluate individual circumstances that are available at: www.irs.gov

**NOTICE FOR RETIREES REENROLLED
IN A TPAF COVERED POSITION**

If you are reenrolled in the TPAF after retirement, you are treated as an active member in all respects. Your retirement allowance is suspended and no retirement or insurance benefits associated with your former retirement will be paid to your beneficiary should you die during your second membership. If you are over the age of 60 when you reenroll, you will be required to prove insurability through physical examination before you will be covered by the group life insurance benefits of active members. Once you retire again, the death benefits associated with your first retirement become effective.

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