

Employment After Retirement

State Police Retirement System

Since members of the New Jersey State Police often retire in their fifties, the question of how employment after retirement will affect pension benefits is important. This fact sheet provides information that a State Police Retirement System (SPRS) retiree should consider before returning to the work force on either a full- or part-time basis.

IRS PROVISIONS

A SPRS 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 SPRS 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 SPRS Board of Trustees, whichever is later. If you return to a SPRS covered position — on either a paid or voluntary basis — before the 30 days have elapsed, you should expect to continue enrollment in the SPRS. Your retirement will be considered invalid, and you will remain an active employee under your original SPRS account.

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 date when you should have been reenrolled. **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.

For SPRS retirees who resume public employment in New Jersey after retirement, there are several areas of concern.

RETURNING TO A POSITION UNDER THE SPRS

In general there is no return from retirement to SPRS covered employment, unless you are an SPRS member, apply for a Deferred Retirement, and again become an employee covered by the SPRS while still under the age of 55. In this case, you **must** reenroll in the SPRS as a condition of employment and you will be credited with all service credit from your prior active enrollment.

RETURNING TO WORK IN A POSITION COVERED BY A NEW JERSEY STATE-ADMINISTERED RETIREMENT SYSTEM OTHER THAN THE SPRS

For most SPRS retirees, working for private industry, the federal government, or a government agency in another state will not normally affect your SPRS retirement benefits.

If — as a “bona fide” retiree — you return from retirement to public employment in New Jersey in any position except that of a State Police Officer, your SPRS retirement allowance can continue and you can receive salary, but you cannot become a member of the new retirement system (see also the “IRS Provisions” above regarding possible 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 (and any related health benefits coverage) 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.

OTHER CONSIDERATIONS

State Health Benefits Program Coverage

Returning to employment that is not covered by the SPRS will not normally affect your eligibility for retired group coverage under the State Health

Benefit Program (SHBP), *provided that any other coverage you are eligible for is not also through the SHBP or the School Employees' Health Benefits Program (SEHBP)*. Multiple SHBP/SEHBP coverage as **both** a retiree and an employee is prohibited.

Social Security Earnings Test

There is an earnings test for people receiving Social Security benefits under the normal retirement age (age 65 to 67 depending on your year of birth). Check with the Social Security Administration at 1-800-772-1213 for information on their earnings limit before accepting employment after retirement.

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