

Planning for Your Survivors — Pension Options

Judicial Retirement System (JRS)

To plan for a successful retirement, you must be familiar with the retirement payment options available to you and your beneficiaries from your Judicial Retirement System. You should also consider your financial needs in retirement, your health, your beneficiary's health, the need to provide survivor benefits, life insurance benefits available, and income from other sources such as Social Security benefits, investments, etc. This fact sheet focuses on planning for your survivors and discusses the statutory JRS survivor benefit, retirement payment options made available through Chapter 54, P.L. 2002, and JRS group life insurance available to judges in retirement.

STATUTORY SURVIVOR BENEFITS

Upon your death as a retired member of the JRS, your surviving spouse, civil union partner, or same-sex domestic partner receives a pension benefit equal to 25 percent of your Final Salary plus:

- 10% of Final Salary to one child; or
- 15% of Final Salary divided evenly between two or more children.

If there is no surviving spouse/partner, or your spouse/partner dies, remarries or enters a new civil union, the following benefit is payable to your eligible children:

- 15% of Final Salary to one child; or
- 20% of Final Salary divided evenly between two children; or
- 30% of Final Salary divided evenly between three or more children.

A surviving spouse/partner may continue health coverage through the State Health Benefits Program (SHBP) as long as he or she was a dependent under your SHBP coverage at the time of death. However, the surviving spouse/partner will have to pay for the full cost of the continued health benefits coverage. The coverage can also include any dependent children who had been covered as your dependents at the time of death.

In the absence of a surviving spouse/partner, children who had been covered at the time of death as

your dependents may continue health coverage at their own expense for as long as they are receiving the statutory survivor benefit.

Explanation of the Terms

Used for Statutory Survivor Benefits

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

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 enrollment (see your Fact Sheet #75, *Civil Unions*, for details).

Domestic Partner — means 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 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 enrollment (see Fact Sheet #71, *Benefits Under the Domestic Partnership Act*, for details).

Child(ren) — means your unmarried child:

- under the age of 18; or
- under the age of 21 and attending school full time; 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 Medical Review Board.

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Final Salary — means the current salary for the judicial position in which you served at the time of death or retirement.

RETIREMENT PAYMENT OPTIONS

As a result of Chapter 54, P.L. 2002, JRS members have additional ways to provide for survivors by selecting one of nine payment options for their retirement benefits. Previously, judges did not have any choice and received what is described in this fact sheet as the Maximum Option (see page 2). When a judge died, the benefit ceased with no possibility of continuation for survivors (other than under the statutory benefits described above). Now you may leave an additional amount to any named beneficiary.

Please be sure you understand the different payment options available to you under Chapter 54 because, **once you have made your choice and your retirement becomes due and payable (usually when your first check is issued), you cannot change your payment option.**

NOTE: whatever option you select has no impact on the statutory survivor benefit. That benefit will still be paid regardless of your retirement payment option selection.

Maximum Option - No Pension Benefit to a Beneficiary

The Maximum Option, also called a single-life annuity, is the highest amount payable and provides a retirement benefit to you for the remainder of your life. If you are not concerned with providing either a lump-sum benefit or providing a monthly income to another person after your death, the Maximum Option may be the most appropriate payment choice for you. The benefit payments continue for your lifetime only. Upon your death, benefits end and your survivors do not receive a pension allowance other than those provided under the statutory survivor benefits.

If there is no surviving spouse/partner or child to receive the statutory survivor benefit and you die before receiving, through your retirement allowance, the amount that you paid into the retirement system while working (including interest on those contributions), the balance of your contributions will be paid to your named beneficiary or your estate.

OPTIONS OTHER THAN THE MAXIMUM

Under Options A, B, C, or D you receive a smaller monthly benefit than that provided under the Maximum Option so that, upon your death, a beneficiary you name will receive a lifetime monthly pension. The percentage of reduction is based on the life expectancies of both you and your beneficiary at the time of your retirement and the option selected. Therefore, the younger your beneficiary, the greater the percentage of reduction in your benefit. Your beneficiary under these options must be an individual. You may not designate a charity, institution, your estate, etc. as a beneficiary. Under Options A, B, C, and D, if your beneficiary dies before you, your retirement allowance will increase to the Maximum Option.

Option A - 100% to Beneficiary - Increase to Maximum Option

Option A, also called a 100% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive 100% of your monthly retirement allowance for life. If your beneficiary dies before you, your retirement allowance will increase to the Maximum Option amount. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement. If you are naming a beneficiary who is not your spouse, Internal Revenue Service regulations restrict the age of your beneficiary.

Option B - 75% to Beneficiary - Increase to Maximum Option

Option B, also called a 75% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive 75% of your monthly retirement allowance for life. If your beneficiary dies before you, your retirement allowance will increase to the Maximum Option amount. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement. If you are naming a beneficiary who is not your spouse, Internal Revenue Service regulations restrict the age of your beneficiary.

Option C - 50% to Beneficiary - Increase to Maximum Option

Option C, also called a 50% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive half of your monthly retirement allowance for life. If your beneficiary dies before

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you, your retirement allowance will increase to the Maximum Option amount. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement.

Option D - 25% to Beneficiary - Increase to Maximum Option

Option D, also called a 25% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive 25% of your monthly retirement allowance for life. If your beneficiary dies before you, your retirement allowance will increase to the Maximum Option amount. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement.

Option 1 - Reducing Retirement Reserve to a Beneficiary

Option 1 provides a lifetime monthly payment to you. Your retirement allowance is reduced from what you could collect under the Maximum Option. It is also different from the Maximum Option in that it *may* provide a lump-sum payment to your beneficiary after your death. At the time of your retirement, the amount expected to be paid to you in retirement benefits over your lifetime is calculated. This is called your retirement reserve. If you die before you receive monthly retirement benefits equal to your retirement reserve, your beneficiary is entitled to the balance.

You may name more than one beneficiary for this option and you can change your beneficiary at any time. Your beneficiary may be a person, a charity, an institution, or your estate.

For example, if your monthly retirement allowance is \$2,000 and your retirement reserve is \$230,400, your beneficiary would be entitled to the following payment

Retirement Reserve	\$ 230,400
Retirement Benefits Paid (death at 16 months)	\$ 32,000
Beneficiary Benefit	\$ 198,400

Retirement Reserve	\$ 230,400
Retirement Benefits Paid (death at 120 months)	\$ 240,000
Beneficiary Benefit	\$ 0

depending on when you died (16 or 120 months after retirement as shown below).

Since the retirement reserve is based on your retirement allowance and your life expectancy, your own reserve may be much different than this example.

Under Options 2, 3, or 4 you receive a smaller monthly benefit than that provided under the Maximum Option so that, upon your death, your beneficiary will receive a lifetime monthly pension. The percentage of reduction is based on the life expectancies of both you and your beneficiary at the time of your retirement and the option selected. Therefore, the younger your beneficiary, the greater the percentage of reduction in your benefit. Your beneficiary under these options must be an individual. You may not designate a charity, institution, your estate, etc. as a beneficiary. Under Options 2, 3, and 4, if your beneficiary dies before you, your retirement allowance remains at the reduced level.

Option 2 - 100% to Beneficiary - Permanent Reduction

Option 2, also called a 100% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive 100% of your monthly retirement allowance for life. You can name only one beneficiary for this benefit and your beneficiary can never be changed after retirement. This is similar to Option A except that if your beneficiary dies before you, you will continue to receive the reduced retirement allowance you had been receiving under this option. If you are naming a beneficiary who is not your spouse, Internal Revenue Service regulations restrict the age of your beneficiary.

Option 3 - 50% to Beneficiary - Permanent Reduction

Option 3, also called a 50% joint and survivor benefit, provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive one-half of your monthly retirement allowance for life. You can name only one beneficiary to receive this benefit and the beneficiary can never be changed after retirement. This is similar to Option C except that if your beneficiary dies before you, you will continue to receive the reduced retirement allowance you had been receiving under this option.

Option 4 - Choice of Amount to Beneficiary - Permanent Reduction

If the preceding payment options do not meet your financial needs, you may want to consider this option. Option 4 provides a lifetime monthly payment to you. If your beneficiary is living at the time of your death, your beneficiary will receive whatever monthly allowance you decide for life. (This can be no more than your own allowance.) You can name one beneficiary or multiple beneficiaries to receive this benefit and the beneficiary(ies) can never be changed after retirement. If your beneficiary dies before you, you will continue to receive the reduced retirement allowance you had been receiving under this option.

Because of the number of different possibilities available with this option, calculation of the benefit must be performed by the Judicial Retirement System's consulting actuary.

Proof of Age Documentation

If you choose Option 2, 3, 4, A, B, C, or D, proof of age documentation is required for both you and your designated beneficiary. You should submit photocopies of the proof of age documentation at the time you submit your *Application for Retirement Allowance*.

Age Limits on Nonspouse Beneficiaries

For all options, you can name your spouse as your beneficiary regardless of your spouse's age. For Options C, D, 1, or 3, you can name someone other than your spouse as beneficiary regardless of age.

Retiree Allowance Upon Death of Beneficiary

	Stays at Reduced Option Allowance	Increases to Maximum Allowance
Maximum	N/A	N/A
Option A		X
Option B		X
Option C		X
Option D		X
Option 1	X	
Option 2	X	
Option 3	X	
Option 4	X	

Note: Because the Internal Revenue Service is a federal agency, a civil union partner, or domestic partner as defined under New Jersey State law does not qualify as a "spouse" under these circumstances and would be subject to the age limitations described.

For Options 2 and A (100% to beneficiary):

- If you are age 70 or older at retirement, your non-spouse beneficiary can be no more than 10 years younger than you.
- If you are under age 70 at retirement, determine 1.) the number of years difference between your age at retirement and age 70; and 2.) the number of years difference between your age at retirement and the age of your nonspouse beneficiary. Subtract the age 70 difference from the difference in age between yourself and your beneficiary. The resulting age difference can be no more than 10 years (younger than you).

For Option B (75% to beneficiary):

- If you are age 70 or older at retirement, your non-spouse beneficiary can be no more than 19 years younger than you.
- If you are under age 70 at retirement, determine 1.) the number of years difference between your age at retirement and age 70; and 2.) the number of years difference between your age at retirement and the age of your nonspouse beneficiary. Subtract the age 70 difference from the difference in age between yourself and your beneficiary. The resulting age difference can be no more than 19 years (younger than you).

If you name a nonspouse beneficiary under **Option 4**, and the dollar amount of your beneficiary's pension is more than half of your allowance, restrictions on your beneficiary's age apply.

WHAT HAPPENS TO RETIREE ALLOWANCE IF BENEFICIARY DIES BEFORE RETIREE?

Under Options 1, 2, 3, and 4, if your beneficiary dies before you, your retirement allowance remains at the reduced payment level. Under Options A, B, C, and D, if your beneficiary dies before you, your retirement increases to the Maximum Option. Options A through D provide a smaller retirement allowance to you and your beneficiary, when compared to similar Options 2, 3, and 4, to pay for the larger retirement allowance you would collect if your beneficiary dies before you.

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LIFE INSURANCE AFTER RETIREMENT

JRS members are eligible for both contributory and noncontributory group life insurance. Group life insurance is provided through policies issued by the insurance carrier — the Prudential Insurance Company of America.

- **NONCONTRIBUTORY GROUP LIFE INSURANCE** is provided by the State of New Jersey through the retirement system at no cost to you.
- **CONTRIBUTORY GROUP LIFE INSURANCE** is insurance for which you pay. The two contributory group life insurance plans available to JRS members are described below, after the discussion of the noncontributory insurance.

NONCONTRIBUTORY LIFE INSURANCE FOR RETIRED JUDGES**Noncontributory Group Life Insurance Benefit**

The State pays the cost of your noncontributory group life insurance. While you are actively at work, this benefit is equal to 1½ times your Final Salary. At retirement, this benefit is reduced to ¼ of your salary at retirement. If you die while on a Disability Retirement before reaching age 60, your named beneficiary (or estate where there is no named beneficiary) will receive an amount equal to 1½ times your salary at retirement. After you turn age 60, your named beneficiary (or estate where there is no named beneficiary) will receive, upon your death, an amount equal to ¼ of your salary at retirement.

Choosing a Beneficiary

Your JRS enrollment application contained a section in which you named beneficiaries for both your noncontributory group life insurance benefits and return of your pension contributions. You were able to name any person, organization, your estate or a trust as beneficiary.

At retirement, we ask you to nominate noncontributory life insurance beneficiaries on your *Application for Retirement Allowance*. This will supercede any beneficiaries previously named for your noncontributory life insurance.

You may also change your designation at any time during your active or retired membership by filing a *Designation of Beneficiary* form.

Payment of Noncontributory Group Life Insurance

For retirees, noncontributory group life insurance benefits are paid in a lump sum.

Death benefits cannot be paid until all the necessary information and forms have been received by the Division of Pensions and Benefits. To report a death, contact the Judicial Retirement System at (609) 292-5175.

Conversion of Noncontributory Group Life Insurance at Retirement

Your noncontributory group life insurance coverage is reduced upon your retirement as described above. Within 31 days of your retirement, you may continue the insurance you lost by purchasing a converted life insurance policy from Prudential Insurance Company, without a medical examination. For example, if your salary was \$130,000, your noncontributory group life insurance would be \$195,000 while you are working. Upon retirement, this would be reduced to \$32,500. This means you could convert up to \$162,500 of insurance. To initiate a conversion, contact any Prudential Insurance agent or call 1-800-524-0542; if you live in New Jersey, call 1-800-262-1112. You will need to provide the group insurance policy number, which is G-14800.

When you convert, you may purchase any individual, non-group policy customarily issued by Prudential. However, you may not convert to a term insurance policy or any policy with disability benefits. When you convert, you will be billed at "standard" rates. These rates are significantly higher than the "preferred" rates provided to anyone who can medically qualify for insurance. Therefore, if you are in good health, you may want to investigate the regular purchase of insurance before you retire. If you do not qualify for that insurance, then you can pursue the conversion upon retirement.

Remember this time constraint — conversion must be accomplished before your insurance lapses, that is, within 31 days of termination of employment.

CONTRIBUTORY GROUP LIFE INSURANCE

All JRS members are eligible for one of two types of contributory group life insurance while they are actively working as a judge. Coverage is mandatory during the first year of service as a judge and optional thereafter. The two types of contributory group life insurance are:

- **Group Term Life Insurance;** or
- **Group Variable Universal Life (GVUL) Insurance.**

Both the Group Term Life insurance and the GVUL insurance offer coverage at levels of 1½, 2, 3, 4, or 5 times your annual judicial salary.

Contributory Group Life Insurance Coverage at Retirement or Termination of Employment

Contributory Group Term Life insurance coverage ends 31 days after you retire or terminate covered employment. However, after you leave employment you may purchase a converted life insurance policy from Prudential, without a medical examination. You may convert a portion or all of your contributory Group Term Life insurance by contacting a Prudential Insurance Company agent. Your contributory Group Term Life insurance policy number is G-94368. The same conversion restrictions and considerations described in the discussion of noncontributory group life insurance apply to the conversion of contributory Group Term Life insurance.

Group Variable Universal Life (GVUL) insurance is "portable coverage". This means that coverage can be continued after retirement or if you leave covered service as a judge. You will be billed monthly by Prudential for the full premium plus a \$3 monthly service fee.

For More Information About the Contributory Group Life Insurance Plans

Both the Group Term Life insurance and the GVUL are administered by Prudential. If you have any questions about the program, contact the Prudential Insurance Company of America, Group Life Services, PO Box 948, Horsham, PA 19044, or call 1-800-354-6903.

AN ILLUSTRATIVE EXAMPLE

Judge Goodperson retired after 25 years on the bench at age 65. His annual salary at retirement was \$150,000. His wife was age 60 and his children were no longer dependent upon him at retirement. The Judge selected Option B to provide his spouse a survivors benefit of 75% of his benefit after his death. This gave the Judge an annual pension allowance of \$95,062 or \$7,922 per month. He continued his Group Variable Universal Life insurance of 3 times his salary after retirement by continuing to make payments directly to the Prudential Insurance Company. He did not convert his noncontributory life insurance. Judge Goodperson died less than two years after he retired. Mrs. Goodperson would receive the following benefits upon the Judge's death:

Statutory Survivor Benefit of \$37,500 per year in monthly payments of \$3,125.

Optional pension benefit of \$71,297 per year in monthly payments of \$5,941. The optional pension benefit will be eligible for cost-of-living adjustments beginning the 25th month after the Judge's retirement date. The statutory survivor benefit is subject to a special calculation each year to determine if a cost-of-living adjustment is payable.

Noncontributory Group Life Insurance payment of \$37,500.

Contributory Group Variable Universal Life insurance payment of \$450,000.

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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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