

# CAN I AFFORD TO RETIRE?

Subtract the net annual pension from the net annual salary to see how much less you will have to live on in retirement. If you have investment income or Social Security to make up the difference, you should be fine. If not, you may have to find other employment to supplement your pension income. Remember that you will save on work-related expenses (eating out, clothing, transportation) once you retire.

If your net annual pension is more than your net annual salary, congratulations. You will be getting more money in retirement than you were bringing home while working!

## Deductions from Pension Check

(see back of page for explanation of deductions)

Income Tax	\$ _____
Loan	+ _____
Health Benefits	+ _____
Total Deductions	\$ _____

## Comparing Net Salary With Net Pension

Gross monthly pension	\$ _____
Deductions	- _____
Net monthly pension	_____
	X <b>12 months</b>
<b>Net annual pension</b>	\$ _____
Net paycheck (after deductions)	\$ _____
Number of pays per year	X _____
<b>Net annual salary</b>	\$ _____

<b>Net annual salary</b>	\$ _____
<b>Net annual pension</b>	- _____
<b>Difference</b>	\$ _____



# Possible Deductions from Pension Check

## Income Tax

- Federal – Tax is due as soon as you start collecting pension (see federal income tax withholding tables).
- State – If living in New Jersey, no tax is due until you have collected pension equal to your total contribution to the retirement system (unless not recovered in 3 years).

At age 62 you can exclude \$20,000 if married filing joint return or \$15,000 if single.

If living outside New Jersey, you are not subject to New Jersey income tax.

## Loan

If you retire before repaying the outstanding balance of your loan, your loan payments will be carried into retirement. That is, your retirement allowance will be reduced by approximately the same monthly amount you were paying towards your loan just prior to retirement.

## Health Benefits

**State Employees and Employees of State Universities/Colleges:** If you had 25 or more years of service credited in one pension system **before** July 1, 1997, the State of New Jersey agreed to pay the full health benefit cost in retirement. If you attain 25 years of service **after** July 1, 1997 or retire on a disability retirement, you may share in the health insurance costs according to the terms specified in the appropriate bargaining unit agreements in effect at the time you reached your 25 years credited in the retirement system or retired with a disability retirement. If you are a State employee enrolled in the TPAF and you retire with 25 or more years of service in the retirement system or on a disability retirement, the State will pay for your health benefits coverage in retirement.

State employees and employees of State universities/colleges who do not retire on a disability retirement or do not have 25 or more years of service credited in the retirement system at the time of retirement **pay the full cost** of health benefits coverage. Premiums are usually deducted from your monthly pension checks. If your monthly retirement allowance is not sufficient to cover the premium, you will be billed on a monthly basis.

**School Board and County College Employees:** The State of New Jersey, by law, pays for the health benefit cost for school board and county college employees who retire with 25 or more years of service credit in the retirement system and for those approved for disability retirement.

**Other Local Employees:** Chapter 48, P.L. 1999, gives local employers who participate in the SHBP the option of paying for the cost of health premiums for their retirees, as negotiated with the various bargaining agents for their employees. Employers may pay for the following groups of retiring employees:

- Employees who retire on a disability retirement;
- Employees with 25 years of service in the retirement system. The employer may further require a certain number of years of service with that employer or that the employee be at least age 65 at the time of retirement;
- Employees who are at least age 62 with 15 or more years of service with the employer.

If the employer does not pay for retiree health benefit premiums or only pays for a portion of them, premiums are deducted from your monthly pension checks. If your monthly retirement allowance is not sufficient to cover the premium, you will be billed on a monthly basis.

*Some local employers* agreed before the enactment of Chapter 48, to pay under the provisions of Chapter 88, P.L. 1974, for the health benefits for employees who retired with 25 or more years of service credited in one retirement system and for those approved for disability retirement. These employers also agreed to reimburse those employees for the Medicare Part B premiums paid by the member and/or their spouse, civil union partner, (and in some cases an eligible same-sex domestic partner under Chapter 246, P.L. 2003). Check with your employer to determine if they adopted the provisions of these laws.