



# Employers' Pensions and Benefits Administration Manual

For the State Police Retirement System

**SPRS**

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# Enrollments

## OVERVIEW

The State Police Retirement System (SPRS) is a defined benefit pension fund established in 1965 as the successor of the State Police Retirement and Benevolent Fund. All full-time troopers or commissioned or noncommissioned officers of the New Jersey Division of State Police appointed after July 1, 1965, are members of this system. The SPRS is maintained on an actuarial reserve basis. The SPRS Board of Trustees has the responsibility for the proper administration of the retirement system. All membership and retiree account records in SPRS begin with the number 08.

## EMPLOYER TRAINING

All employers, including Certifying Officers and their immediate supervisors, are expected to complete Board-approved training on proper enrollment procedures. This training is made available on the New Jersey Division of Pensions & Benefits (NJDPB) website: [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions) Without training and the annual certification, an employer will be unable to process new enrollments.

## ELIGIBILITY

All persons hired to the position of State Trooper must be enrolled in the SPRS as a condition of employment.

Eligible candidates are persons at least 18 years old and who have not reached their 35th birthday prior to the graduation date of their State Police class. They must satisfy the standards of health and physical fitness established by the Superintendent of State Police for members of the State Police.

## ENROLLMENT PROCEDURES FOR RECRUITS ALREADY MEMBERS OF A STATE PENSION SYSTEM

For new recruits who have not yet completed training at the New Jersey State Police Academy and who are already members of New Jersey State-administered retirement systems:

- If a new recruit is a member of the Police and Firemen's Retirement System (PFRS) or Teachers' Pension and Annuity Fund (TPAF), and is paid through Centralized Payroll, make sure that Centralized Payroll stops any future deductions as of the date of hire.
- If a new recruit is a member of the PFRS or TPAF and is not in a Centralized Payroll position, deductions must stop at the former employing location since the position is not covered under the PFRS or TPAF.
- New recruits are eligible for enrollment upon graduation from the State Police academy.

## REQUIRED FORMS

The *SPRS Enrollment Application* must be submitted to the NJDPB. On the application, the employer must indicate the employee's enlistment date, date the employee completed Academy training, and the date on which the medical requirement was approved by the examining physician.

It is important to note that delayed and forced enrollments can be costly to the employer and the employee, due to interest added to deductions.

## BENEFICIARY DESIGNATION

At the time of enrollment, the employee's estate will automatically be designated as beneficiary for any death benefits payable.

Employers should strongly encourage new employees

to register with the Member Benefits Online System (MBOS), which will enable the member to designate or update beneficiary information online by using the MBOS *Designation of Beneficiary* application.

If the member does not make beneficiary designations, the estate of the newly enrolled member will continue to be listed as both the group life insurance and pension beneficiary for any death benefit payable.

## SPRS MEMBERSHIP TIERS

SPRS members are classified by enrollment date, as eligibility requirements for SPRS enrollment are different for two distinct enrollment periods. The membership tiers by enrollment date are:

- Tier 1 membership, for members enrolled on or before May 21, 2010; and
- Tier 2 membership, for members enrolled after May 21, 2010.

## CONTRIBUTION RATE

The contribution rate for members of the SPRS is currently nine percent of the base salary.

## Federal Pensionable Maximum Salary

The SPRS is a qualified pension plan under the provisions of the Internal Revenue Code (IRC) Section 401(a)(17); therefore, the current federal ceiling on pensionable salary applies to the base salaries of Tier 1 SPRS members.

For Tier 1 members, the SPRS contribution rate is applied to the full pensionable salary, up to the federal pensionable maximum. Salary earned by a member in excess of this amount is not pensionable; that is, it may not be used in determining member contributions and benefits.

### **Maximum Compensation**

For Tier 2 members, the SPRS contribution rate is applied to the pensionable salary up to a compensation limit based on the annual maximum wage for Social Security deductions, per N.J.S.A. 53:5A-3.

Tier 2 members who earn in excess of the annual compensation limit will be enrolled in the Defined Contribution Retirement Program (DCRP) in addition to the SPRS. A contribution of 5.5 percent of the salary in excess of the limit (plus three percent from the employer) will be forwarded to the member's DCRP account.

When a SPRS member also becomes a participant in the DCRP, the life insurance and disability benefit provisions of that program will be available for that participant.

Additional information about the DCRP is available in the *Defined Contribution Retirement Program (DCRP) for PERS, TPAF, PFRS, and SPRS Members* Fact Sheet.

### **Creditable Compensation**

Creditable compensation consists of pay that meets all of the following criteria:

- Pay for performance of duties required of a SPRS-covered position;
- Pay received in a regular paycheck, not in a lump-sum payment;
- Pay not specifically listed as extra compensation or as not being creditable;
- Pay received in a similar manner by everyone else in a similar situation; and
- Pay that is included in base salary from the first day it is paid.

The creditable compensation rule does not prohibit the inclusion of longevity, holiday pay, or education pay in creditable salary. These items can be included if the

payments are made as a part of each paycheck for all employees in the same collective bargaining agreement from the time they first receive the compensation.

### **Extra Compensation**

Extra compensation is not included in base salary. Extra compensation means individual salary adjustments granted primarily in anticipation of retirement or as additional compensation for performing temporary duties beyond the regular workday. In accordance with N.J.A.C. 17:5-3.1, the compensation upon which contributions by the member to the Annuity Savings Fund were based shall not include:

- Retroactive salary adjustments if the increases are not of a normal, overall, published program of increases;
- Bonus or overtime payments; and
- Lump-sum payments for longevity, terminal leave, or vacation payments.

### **Board Review**

The Board of Trustees may question the compensation of any member or retiree to determine if all of the reported salary is creditable whenever there is evidence that there may be extra compensation included in the base salary. If the Board determines that there is extra compensation included in the base salary, all employees and retirees affected by that contract will have their contributions on that extra compensation refunded without interest. Retirees will have their retirement benefit recalculated. Contributions remitted by the employer will not be refunded and will be retained in the retirement fund. A statement as to the creditability of salary in a negotiated union agreement is not binding on the SPRS Board of Trustees and has no effect on the Board's decision on the inclusion of that salary as pensionable compensation. N.J.S.A. 34:13A-8.1 states that negoti-

ations cannot annul or modify any pension statute or statutes. The New Jersey Supreme Court has upheld this law and stated that public pensions are sacrosanct, i.e., they are not subject to collective bargaining agreement. The Board of Trustees is the authority on whether compensation is creditable or not for pension purposes.

To assist the SPRS Board of Trustees in fulfilling its obligations to the retirement system and its membership, and assist employer compliance with the pension statutes, the NJDPB will periodically request employers to provide a copy of negotiated contracts. The NJDPB will review those contracts to help ensure that compensation practices do not violate creditable compensation guidelines.

### **Back Deductions**

Back deductions are mandatory pension contributions subject to IRC Section 414(h). They are the pension obligations owed from the date of enrollment or transfer to the date deductions are certified to begin.

Back deductions are calculated on the member's current annual salary, regardless of when the member is enrolled. If back deductions are owed for a time period exceeding 12 months, system interest is added.

### **SPRS Contributions are Tax Deferred**

Since January 1, 1987, mandatory pension contributions have been federally tax deferred. Under the 414(h) provisions of the IRC, this reduces a member's gross wages subject to federal income tax. Purchases of service credit are voluntary and are not tax deferred, unless funded by a rollover from another tax deferred plan.

### CERTIFICATION OF PAYROLL DEDUCTIONS

When enrollment processing is complete, you will receive a *Certification of Payroll Deductions* indicating when to begin deductions, the rate of contribution, and any back deductions.

**Note:** Deductions, including regular pension contributions and back deductions, may begin only when a *Certification of Payroll Deductions* is received from the NJDPB.

### INTERFUND TRANSFERS

Interfund Transfers are for employees who change jobs and accept positions that require enrollment in a different retirement system. This applies even if the employer remains the same.

Statutes permit any member of a different State-administered retirement system (PERS, TPAF, PFRS, etc.) the option to transfer membership into the SPRS if the member obtains a SPRS-covered position.

For example, if a county-employed police officer (PFRS) obtains a position as a State Trooper (SPRS), he/she may be eligible to transfer membership from the PFRS to the SPRS. Service transferred from another New Jersey State-administered retirement system on or after October 22, 2019, will be considered equivalent to SPRS service upon payment of the required contributions to the SPRS.

**Note:** An interfund transfer may be processed only if there is no concurrent service between the SPRS and the other fund, and the member is no longer actively contributing to the other fund.

Interfund transfers are limited to pension systems administered by the State of New Jersey. Members who are actively contributing simultaneously to two separate State-administered retirement systems are not eligible

for an interfund transfer; they would be considered dual members for pension purposes.

### Required Forms

1. A paper *SPRS Enrollment Application*; and
2. An *Application for Interfund Transfer*, which must be filled out by the member (Part One) and the former employer (Part Two), who is required to return it to the member. The *SPRS Enrollment Application* and *Application for Interfund Transfer* should then be submitted together to the NJDPB.

In situations where the employer remains the same but the member is transferring to a different retirement system due to a title change, the employer must stop remitting contributions under the former system once the employee becomes eligible for membership in the second system and wait for a *Certification of Payroll Deductions* for the new retirement system.

**Note:** Interfund transfers are optional. The NJDPB often receives a new *Enrollment Application* but does not receive an *Application for Interfund Transfer*. An *Application for Interfund Transfer* must be received within 30 days of the date the member meets the eligibility requirements to enter the SPRS; therefore, it is important that you notify any employee eligible for enrollment in the SPRS of this option if he or she was a member of a different State-administered pension fund.

### CREDIT FOR MILITARY SERVICE AFTER ENROLLMENT

The federal Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA) provides that a member who leaves employment to serve on active duty is entitled to certain pension rights upon return to employment with the same employer. If the member makes the pension contributions that would have

been normally required upon return and within the time frames specified under USERRA, the military service will count for vesting, retirement eligibility, the calculation of the retirement benefit and, if applicable, health benefits eligibility, as though the employee had not left.

When an employee returns from uniformed military service to SPRS-covered employment, the employer should notify the NJDPB no later than 30 days after the employee's return by submitting a *Request for USERRA-Eligible Service* form. Once notified, the NJDPB will provide the employee with a quotation for the cost for purchasing the service credit.

**Note:** There is a time-sensitive element to the USERRA purchase which differs from the other purchase of service credit provisions available to SPRS members.

For members of the SPRS who enter active military service following enrollment, any purchases, loans, back deductions or other obligations to the retirement systems incurred prior to active military service shall not bear interest at a rate exceeding six percent for the entire duration of the member's active military service. Interest in excess of six percent per year will be waived. For more information about military service after enrollment, please see the *USERRA — Military Service After Enrollment* Fact Sheet.

# Purchase of Service Credit

## OVERVIEW

A member's retirement allowance is based in part on the amount of service credit posted to the member's account at the time of retirement. It may be beneficial, therefore, to purchase eligible service credit in order to enhance retirement benefits or to qualify for certain types of retirement.

### WHO MAY PURCHASE SERVICE CREDIT?

Only members who have active accounts in the SPRS are permitted to purchase service credit. Members may request purchases while on a leave of absence or after termination, as long as their accounts have not expired.

Normally, an account is no longer considered active:

- Two years from the end of a leave of absence (from which the member does not return);
- Two years from the date of the last contribution; or
- 30 days after a retirement date or board approval date, whichever is later.

Whether or not they are vested, members have two years from the date of the last contribution, or two years from the end of a leave of absence, to make purchase requests. Vested members who are inactive for more than two years are not considered active and, therefore, not permitted to request to purchase service credit.

### WHAT TYPES OF SERVICE ARE ELIGIBLE FOR PURCHASE?

#### Leave of Absence without Pay (A Shared Cost Purchase)

Members of the SPRS are eligible to purchase all or any portion of service credit for official leaves of absence without pay. The amount of time eligible for purchase also depends on what type of leave was taken:

- Up to two years may be purchased for leaves taken for personal illness.
- Up to three months may be purchased for leaves taken for personal reasons.

Conditions that pertain to the purchase of eligible leaves of absence:

- Each leave of absence must be shown to have been approved in advance.
- A leave of absence without pay under a former membership may be eligible for purchase.
- Employers have to certify the amount of time a member was under a doctor's care for leaves for personal illness.
- Employees are eligible for up to three months of leave for personal illness for maternity. If a leave is in excess of three months, it must be certified by a physician that the member was disabled beyond three months due to the pregnancy.
- Child care leave is considered a leave for personal reasons and is limited to three months maximum that is eligible for purchase.

#### Former Membership Service (A Shared Cost Purchase)

Members of the SPRS are eligible to purchase all or a portion of the service credited under a previous membership (PERS, TPAF, PFRS, SPRS), provided that the previous account has been terminated after two continuous years of inactivity in accordance with statute, or by withdrawal of the member contributions made under such membership.

- Former Membership Service purchased on or after October 22, 2019, will be considered equivalent to SPRS service upon making the required purchase payment.

- This service, if purchased prior to October 22, 2019, cannot be used to qualify for a Service or Special Retirement. It can be used, however, in the computation of a retirement allowance on the basis of one percent of Final Compensation for each year of such service credit or to meet the 25-year requirement for retired health benefits coverage.

**Note:** Former membership earned under another State-administered retirement system (PERS, TPAF, or PFRS) may be purchased or transferred for credit in the SPRS, but the service time purchased may not be used to qualify for a SPRS Ordinary Disability Retirement.

The receipt of a public pension or retirement benefit is expressly conditioned upon the rendering of honorable service by a public officer or employee. Therefore, the Board of Trustees shall disallow the purchase of all or a portion of former service it deems to be dishonorable in accordance with N.J.S.A. 43:1-3.

#### Military Service Before Enrollment (A Full Cost Purchase)

Members of the SPRS are eligible to purchase credit for up to 10 years of honorable, active military service rendered prior to enrollment, provided the member is not receiving or eligible to receive a military pension, or a pension from any other state or local source for such military service. If the member qualifies for Veteran Status, he or she may be eligible to purchase up to an additional five years of Military Service before Enrollment. See the *Veteran Status* Fact Sheet for information on qualifying for Veteran Status.



**Military Service After Enrollment**

See the "Credit for Military Service After Enrollment" section.

**COST AND PROCEDURES FOR PURCHASING SERVICE CREDIT****Shared vs. Full Cost Purchases**

The cost of a purchase is based on the member's nearest attained age at the time the NJDPB receives a purchase request, and the highest reported yearly salary as a member of the retirement system. The cost of the purchase will rise with an increase in the member's age and/or salary.

A shared cost purchase is one where the total cost is shared equally between the member and the employers across the State. The member will pay the cost of purchase through payroll deductions (arrear), by a lump-sum payment, or a combination of both. The employers will pay their share based upon an actuarial assessment that depends on the future liability the pension fund will face given the increased retirement benefit the purchased service will secure for the member at retirement. The employer share of each purchase cost will be indexed based upon the relative size of each employer's workforce.

A full cost purchase is one where the member is responsible for the total cost of the purchase. There is no employer liability in a full cost purchase. When statute specifically provides that the employer shall not be liable for any costs of the purchase, the member must pay the full cost.

**Estimating the Cost of Purchasing Service Credit**

To estimate the cost of a purchase, multiply the higher of the member's current annual salary or highest fiscal year salary times the purchase factor (see the "SPRS: Age Factor Table for Purchasing Service Credit") corresponding to the member's nearest age. The result is the cost of one year of service. Multiply this cost by the appropriate number of years being purchased. To calculate the cost of Military Service before Enrollment, use the same procedure and multiply the result by two.

<b>SPRS: Age Factor Table for Purchasing Service Credit</b> <i>The cost factors have been rounded so the actual cost may vary.</i>							
Age	SPRS Former Membership; Leave of Absence	Former Membership under another State System; Military Service after SPRS Enrollment	Military Service prior to SPRS Enrollment	Age	SPRS Former Membership; Leave of Absence	Former Membership under another State System; Military Service after SPRS Enrollment	Military Service prior to SPRS Enrollment
21	0.075000	0.034000	0.150000	39	0.084973	0.041892	0.169946
22	0.075000	0.034000	0.150000	40	0.087450	0.043189	0.174900
23	0.075000	0.034000	0.150000	41	0.090109	0.044591	0.180218
24	0.075000	0.034000	0.150000	42	0.092926	0.046096	0.185852
25	0.075000	0.034000	0.150000	43	0.095880	0.047705	0.191760
26	0.075000	0.034000	0.150000	44	0.098957	0.49419	0.197914
27	0.075000	0.034428	0.150000	45	0.102150	0.052781	0.204300
28	0.075000	0.034478	0.150000	46	0.105461	0.052348	0.210922
29	0.075000	0.034633	0.150000	47	0.108902	0.051896	0.217804
30	0.075000	0.034891	0.150000	48	0.112501	0.051424	0.225002
31	0.075000	0.035253	0.150000	49	0.116298	0.050934	0.232596
32	0.075000	0.035719	0.150000	50	0.120350	0.050422	0.240700
33	0.075000	0.036289	0.150000	51	0.120798	0.049890	0.241596
34	0.076016	0.036963	0.152032	52	0.121323	0.049339	0.242646
35	0.077350	0.037741	0.154700	53	0.121923	0.048769	0.243846
36	0.078913	0.038623	0.157826	54	0.122600	0.048180	0.245200
37	0.080704	0.039609	0.161408	55	0.123353	0.047571	0.246706
38	0.082724	0.040698	0.165448				

## APPLICATION PROCESS

### Purchasing Service Credit Through MBOS Required

All purchase requests must be submitted to the NJDPB using the MBOS *Purchase Application*.

#### MBOS Purchase Application: Exceptions

Members cannot use the MBOS *Purchase Application* for the following types of purchases:

- Members applying for the purchase of Military Service after Enrollment under the provisions of USERRA. To purchase this type of service, the employer must submit the *Request for USERRA-Eligible Service* form within the time frames required under the law (see the *USERRA — Military Service After Enrollment* Fact Sheet for additional information).
- Members applying for a purchase fewer than 30 days before their retirement date or Board of Trustees approval date. The member must request a paper *Purchase Application* by emailing: [pensions.nj@treas.nj.gov](mailto:pensions.nj@treas.nj.gov) An application will be provided upon verification of the Board or retirement date status. Members without a valid Board or retirement date will be instructed to apply using MBOS.

Please note that these are only circumstances where paper purchase requests are permitted. Any other paper applications received by mail will not be processed and the member will be mailed instructions on submitting the request through MBOS.

The employer may be responsible for completing the *Employment Verification Form*.

### Issuance of Quote Letter and Purchase Authorization

If the NJDPB determines that service credit is eligible for purchase, a letter quoting the cost to purchase service and an authorization form will be mailed to the member. In order to authorize the purchase, the member must return a completed authorization form to the NJDPB. SPRS members can also authorize payroll deductions and make changes to the payment or the service period via MBOS using the *Purchase Authorization* application.

Purchase authorizations must be made before the date specified on the *Purchase Cost Quotation Letter*. If a member is not interested in purchasing service credit, no response is required.

### PAYMENT OPTIONS

An actively contributing member who elects to authorize a purchase of service credit has the following options to pay for the purchase:

- In one lump-sum payment;
- By having extra payroll deductions withheld from regular pay. The minimum deduction is equal to 50 percent of the full rate of contribution to the pension system over a maximum period of 10 years, and includes interest at the assumed rate of return of the retirement system (except for members who enter active military service following enrollment);
- By paying a single down payment of any amount, and having the remainder paid through payroll deductions; or
- With a direct rollover or trustee-to-trustee transfer of tax-deferred funds from a qualified retirement plan.

Inactive members, or members who indicate on their application that they intend to terminate membership or retire within six months of the request date, may only pay for purchases by making a lump-sum payment.

### Direct Rollover or Trustee-to-Trustee Transfer of Funds

In some cases, SPRS members may pay for the purchase of additional service credit through a direct rollover of funds from a qualified retirement savings plan, or through a trustee-to-trustee transfer. The types of plans eligible for direct rollover or trustee-to-trustee transfer include:

- 401(a) qualified plan, including a 401(k) plan, and a 403(a) qualified annuity;
- 403(b) — tax-sheltered annuity plan;
- 457(b) — State and local government deferred compensation plan; and
- IRA — with tax-deferred funds:
  - Traditional IRA;
  - SIMPLE IRA (must be over two years old);
  - Simplified Employee Pension (SEP) Plan;
  - Conduit IRA; and
  - Rollover IRA.

The NJDPB cannot accept rollovers from a Roth IRA or a Coverdell Education Savings Account (formerly known as an Education IRA).

Members who are unsure about whether their plan is eligible for this type of rollover should consult with the administrator of their financial institution or disbursing plan.

Members must first receive a *Purchase Cost Quotation Letter* from the NJDPB before submitting a *Direct Rollover/Trustee-to-Trustee Transfer of Funds for the Purchase of Additional Service Credit* form.

### Paying off a Purchase Balance

A member choosing to pay for all or a part of a service credit purchase through payroll deductions may elect to pay off the balance, with interest, at any time after deductions have been scheduled. To make a lump-sum payment, the member must send a written request for an arrears payoff quotation letter for the cash discount value of the remaining balance owed.

This request should be made to the New Jersey Division of Pensions & Benefits, Adjustments Section, P.O. Box 295, Trenton, NJ 08625-0295.

According to N.J.A.C. 17:1-4.1(b), members may make only one request for the cash discount value of an outstanding arrears balance, i.e., the balance on a service credit purchase, in a calendar year.

### Cancellation and Prorating of Purchases

The administrative code governing the purchase of service credit allows for the cancellation and/or prorating of service that has previously been authorized using periodic payments through payroll deductions. Written requests should be made to the New Jersey Division of Pensions & Benefits, Adjustments Section, P.O. Box 295, Trenton, NJ 08625-0295.

Cancellations will be processed under the following conditions:

- The cancellation and prorating will be projected for the next available payroll certification date (approximately three pay periods).
- The member can choose to cancel one or all purchases and can specify which purchase types they wish to have canceled.

Prorating will be performed under the following conditions:

- The member must make the request in writing, by fax, or by email. (Written or faxed requests must include the signature of the member. Email requests must come from an email address that bears the member's name.)
- Requests for service to be prorated for a specific future date will be accepted only from members who have a retirement application on file.
- Requests for service to be prorated for a specific projected amount of service — in order to qualify for benefits — will be accepted only from members anticipating retirement or termination of employment within the next six months.

### Projected Estimates of Service

Upon request, the NJDPB will estimate the amount of service credit a member will have after the purchase is prorated. This will be done only under the following conditions:

- The NJDPB receives a written, faxed, or emailed request from the member.
- Only one request will be honored from a member per fiscal quarter.
- Only one future date for a prorating or cancellation will be calculated per request.

### **ADDITIONAL PURCHASE GUIDELINES**

The following items are based on the New Jersey Administrative Code:

- Outstanding arrears balances will accrue interest. A letter will be forwarded to those members who have left their position for two years or more and still have an outstanding arrears balance. These

members will have the opportunity to purchase the remaining amount in a lump sum; however, interest will be added to the arrears balance for the cost of the purchase if the member returns to employment.

- Members paying arrears balances who have filed for bankruptcy cannot suspend their payments; however, they will be able to cancel the purchase. The member may also complete a request to purchase the same service credit again at a later date. A new cost quotation will be subject to the age, salary, and purchasing rules that apply at the later date.

### Important Notes

- To qualify for an Ordinary Disability Retirement, SPRS members need four years of New Jersey service. Therefore, the purchase of Military Service cannot be used to qualify for this type of retirement.
- Purchases of service credit are voluntary and are not tax deferred unless funded by a rollover from another tax-deferred plan.

### **EMPLOYER RESPONSIBILITIES**

- 1.) After members submit the *Application to Purchase Service Credit* using MBOS, the Purchase Section of the NJDPB will request employment verification from the employer indicated on the application. For New Jersey employers, a notification via email is sent requesting that the *Employment Verification* form be completed through EPIC. The employer is responsible for completing the verification form when required by the Purchase Section. The form should be completed according to instructions in order to avoid a delay in processing.

- 2.) The information certified must be supported by official documentation. In the event that there is a question regarding the information provided, the Purchase Section may request a copy of the documentation used to verify the member's service.
- 3.) Once a member has authorized a purchase, and if payroll deductions are elected, a *Certification of Payroll Deductions* will be sent to the employer. The payments will be scheduled as arrears and the schedule should be followed as certified. If there is already an existing arrears schedule, it will be automatically combined with the new purchase payment schedule.
- 4.) Deductions for a purchase should only be taken upon receipt of a *Certification of Payroll Deductions* from the NJDPB. The schedule must be followed exactly. The only time the employer should deviate from the schedule is if the member is on an unpaid leave of absence.
- 5.) If the member returns from a leave of absence of less than two years, the arrears schedule should be picked up automatically. If the leave of absence is longer than two years, the NJDPB should be notified so that an updated *Certification of Payroll Deductions* can be forwarded to the employer.

# Loans

## MEMBER ELIGIBILITY

To be eligible, members must:

- Be active, contributing members of the retirement fund; and
- Have three years of contributing membership posted to their account (this usually occurs three years and three months after the date of enrollment).

Members are permitted to take out a maximum of two loans in a calendar year. The loan interest rate and administrative processing fee are set annually.

**Note:** Members who are off payroll may not borrow from their account.

### APPLYING FOR A LOAN THROUGH MBOS

All eligible members of the SPRS wishing to borrow against their pension account must submit the loan request through MBOS and provide a valid bank routing number and account number.

- Members receive immediate confirmation of loan applications upon submission.
- Once the loan application is submitted, a pension loan cannot be canceled. Members who are not satisfied with their loan amount or the repayment schedule after the loan is disbursed can request a repayment figure for the loan balance, plus any accrued interest prior to the end of the regular repayment schedule.

Paper versions of the *Loan Application* will not be accepted by mail or by fax. Few exceptions apply; see the "Exceptions to Online Loan Application Requirement" section. Printed applications received by the NJDPB will be mailed back to the member with instructions on submitting the loan request through MBOS.

## Exceptions to Online Loan Application Requirement

While the majority of member loan requests will require processing through MBOS, a limited number of members are not able to access the MBOS *Loan Application*. These members include:

- Retirement system members who have established a security freeze on their accounts due to an instance of identity theft (these members must contact the Identity Theft Coordinator to request a loan); and
- Employees shown in the loan processing system as inactive from payroll, including:
  - Employees who apply for a loan within six months of returning from a leave of absence; and
  - Employees whose employer was late in submitting the *Report of Contributions* for the quarterly posting.

Members shown as inactive from payroll may still be able to borrow, but a *Certified Loan Request* form must be submitted by the employer to verify the employee's active pay status. Employees from a late-reporting location, after certification, may only borrow amounts based on the previously posted quarter.

### How Much is Available for a Loan?

MBOS allows members to see how much they are eligible to borrow. Members can enter different loan amounts to see what the biweekly repayment amount will be, and the number of payments that will be needed.

Calling the Office of Client Services at (609) 292-7524 is another convenient way for a member to learn the amount available. The member must have his or her Social Security number and Pension Membership number on hand.

Also, the Interview Counseling Section at the Division of Pensions & Benefits, 50 West State Street, First Floor, Trenton, NJ 08608 can provide answers to all loan questions. (Counselors are available by appointment.) Please note that counselors cannot submit the *Loan Application* for the member.

### Loan Amount

Loans are made in multiples of \$10 and may not exceed 50 percent of the total contributions posted to a member's account. When a member has an outstanding loan balance at the time a new loan is requested, the total combined loan balance may not exceed 50 percent of total contributions or \$50,000, whichever is less when added to the highest balance of any loan in the last 12 months.

The minimum loan amount is \$50. The maximum loan available will be displayed automatically.

### Loan Repayment

The minimum repayment is scheduled in equal payments, which will be equal to, or slightly greater than, the biweekly base salary multiplied by the full rate of contribution.

By law, the member cannot pay less than the minimum amount, nor may the payment amount exceed 25 percent of base salary.

## LOAN COMPLIANCE REGULATIONS

### **Maximum Balance Allowed and Maximum Repayment Period**

IRC Section 72(p) requires that loan balances not exceed \$50,000, and that they be paid within five years. Further, members must make timely payments toward outstanding loan balances, regardless of employment status (i.e., active or inactive). The policies are as follows:

- If a member applies for a loan and that loan added to any existing loan balance totals \$50,000 or more, a loan disbursement will be made for the difference under the \$50,000 limit. The NJDPB will notify the member that the requested loan amount would have caused the loan balance to exceed the \$50,000 limit.
- Loan disbursements will have a maximum repayment schedule of five years. Upon taking a new loan, those members with large existing loan balances will either have an increase in the repayment schedule or may be eligible to take a smaller loan amount, due to the requested payment exceeding 25 percent of the base salary per month.
- The maximum loan balance cannot exceed \$50,000, or 50 percent of the member's posted pension contributions, whichever is less. The \$50,000 maximum includes the amount requested combined with the highest balance due (without interest) for all existing loans that the member has through his/her public employment, including any other governmental plans sponsored or administered by a public sector employer during the prior 12-month period. When the member submits a loan request through MBOS, he/she will be required to indicate whether he/she has taken a loan in the prior 12-month period (other than PERS, TPAF, PFRS, or SPRS) from plans

offered by his/her public employer. It is important to maintain documentation of pension loans taken from other plans offered by his/her employer in the event of an audit. Any amounts received in excess of the maximum may be declared a deemed distribution and subject to additional tax by the IRS.

The IRS regulations also stipulate that if regular payments are not made on a pension loan, then the loan is to be considered in default and determined to be a taxable distribution to the member.

Members will be notified after three months of nonpayment (zero contributions) toward the balance of their outstanding loan, and offered the following options:

- Pay the loan off through a lump-sum payment;
- Repay the loan in monthly installments through personal billing; or
- If returning to employment, repay through employer payroll deductions.

The member must reply with a repayment selection within 30 days of receiving notification. Failure to respond within the 30-day period will result in the unpaid loan balance being declared a taxable distribution.

When a loan balance has been determined to be a taxable distribution, it is reported to the IRS. The NJDPB will send the member a *Form 1099-R* for tax filing purposes in January of the following year. The member will be required to include the portion of the loan representing before-tax contributions as income on his or her federal return. In addition, if the member is under age 59 1/2, he or she will be required to pay an additional 10 percent tax for taking an early pension distribution.

A taxable distribution cannot be canceled by resuming loan payments or repaying the loan in full prior to the end of the tax year in which the deemed distribution occurs. Please note that unlike a normal pension distri-

bution, a loan treated as a distribution cannot be rolled over to an IRA or another qualified retirement plan.

Please be advised that the outstanding loan balance being deemed a taxable distribution does not cancel the loan obligation; the loan balance, plus interest, is still due. If payments are not resumed, the balance will be recuperated at the time of withdrawal, retirement, or death of the member.

### **Multiple Loans**

Under IRS regulations, a member taking multiple loans must repay the combined total of the outstanding balance of the original loan, plus all subsequent loans taken prior to payoff of the original loan, within five years of the issuance date of the first loan.

This loan policy does not come into play in the case of a member who takes a single loan and pays it off before taking another pension loan, but rather when a member takes additional loans while a balance on the original loan remains. In such instances, the loan repayment schedule will be set up so that the total loan balance is paid off within five years of the issuance date of the original loan, to prevent the unpaid balance from being declared a taxable distribution.

Therefore, in cases where a member takes multiple loans, it is the date of issuance of the first loan that will establish the maximum five-year payoff period for the combined outstanding balance of the original loan and all subsequent loans taken prior to payoff of the original loan.



Under the above regulations, if a member is issued a new pension loan before the first loan is paid in full, a substantial increase in the member's repayment amount may result, in order to ensure full repayment of the total loan balance within five years of the issuance of the original loan.

Alternatively, the new loan amount requested may be reduced, so that the payroll deductions required to repay the loan within this five-year period do not exceed the 25 percent of pay restriction in State law.

### **PAYROLL CERTIFICATIONS**

Once a loan has been processed, two copies of the *Certification of Payroll Deductions* are sent to the employer. One copy should be forwarded to the member for his/her records, while the other is retained for the employer's file. The certification contains all the pertinent information regarding the number of deductions and the amount of each deduction to be withheld from the employee's payroll check.

Employers are required to follow the instructions on the certification and begin payroll deductions as instructed on the form. Failure to comply with payroll certifications will result in additional interest charged to the member's account.

### **LEAVE OF ABSENCE — REVALUATION OF A LOAN SCHEDULE**

If a member is off payroll and misses any scheduled loan deductions, the outstanding loan must be revalued and additional interest charged. To protect a member who has been on a leave of absence from having a loan balance become a taxable distribution, employers should

contact the NJDPB as soon as the member returns from a leave of absence to have the loan recertified. Please contact the NJDPB, Office of Client Services, at (609) 292-7524, and opt for the Employer Menu.

### **CALCULATION OF AN ADDITIONAL LOAN**

When a member applies for a loan and already has an existing loan balance, the principal amount of the existing loan is calculated and added to the new loan. The resulting increased obligation is scheduled in the same manner and subject to the same conditions as the original loan.

### **PAYMENT OF A LOAN PRIOR TO COMPLETION**

An active member may make a lump-sum payment against the total value of the loan at any time; lump-sum payments in amounts less than the total balance will not be accepted. We advise that the member request the lump-sum payoff figure via MBOS, using the "Letters and Statements" application. The request will generate a quote which will be mailed to the member along with the date the payment is due. Payments will not be accepted unless a payoff figure has been quoted.

The member should remit a copy of the payoff quote letter along with the payment to ensure the proper credit is made to the account.

### **Upon Withdrawal**

If a member terminates employment and chooses to withdraw all contributions from the pension fund, any outstanding loan balance must be satisfied. Usually, the NJDPB will deduct any outstanding loan balance from

the amount owed the member through the return of contributions. The member may choose to pay any outstanding loan in full with a lump-sum payment in order to receive the full amount of the contribution balance on the account.

### **Upon Retirement**

If a member retires with an outstanding loan balance, the member has the option to pay off the outstanding loan balance in its entirety or to repay the loan through deductions from his/her retirement benefit until the balance of the loan with interest is repaid. The monthly loan payment will be calculated to have the loan plus interest satisfied by the member's five-year end date.

### **Upon Death**

If a member dies before the outstanding loan balance with interest has been recovered, the remaining balance will be deducted from any benefit payable to the designated beneficiary(ies), including life insurance, return of contributions, and monthly retirement payments.

**Note:** Additional information regarding pension loans is available in the *Loans* Fact Sheet.

# Retirements

## GENERAL INFORMATION ON RETIREMENT BENEFITS

- All retirements begin on the first of the month.
- The employer/employee relationship must be completely severed — that is, the member may not render any service nor earn any salary — as of the day of retirement, even if payroll checks are still in process.
- A retirement is due and payable — that is, eligible for the first retirement check — 30 days after the retirement date, or 30 days after the Board of Trustees approves the retirement, whichever is later.

### Final Compensation

For a SPRS Tier 1 member, Final Compensation means the salary upon which pension contributions were based in the last 12 months of creditable service preceding retirement.

For a SPRS Tier 2 member, Final Compensation means the average salary upon which pension contributions were based for any three fiscal years (July – June) of membership preceding retirement that provide the largest possible benefit.

For all SPRS members, Final Compensation includes maintenance allowance value for the same period.

### Mandatory Retirement

The mandatory retirement age for all members of the SPRS is 55. If a member does not file a *Retirement Application* before age 55, the member is automatically retired on the first day of the month immediately following his/her 55th birthday. Retirement benefits, however, are not payable until an application is submitted through MBOS.

## Service under Other Pension Systems

Only service as a member of the SPRS, or credited as equivalent to SPRS service, may be used to satisfy the minimum creditable service requirements for most SPRS retirement types.\*

- Service transferred or purchased from another New Jersey State-administered retirement system on or after October 22, 2019, will be equivalent to SPRS service upon making the required contributions to the SPRS.
- This service, if transferred or purchased prior to October 22, 2019, cannot be used to qualify for a Service or Special Retirement. It can be used, however, in the computation of a retirement allowance on the basis of one percent of Final Compensation for each year of such service credit or to meet the 25-year requirement for retired health benefits coverage.

*\*Only SPRS service as a State Trooper may be used to qualify for a SPRS Ordinary Disability Retirement.*

### Proof of Age

If not already on file, the member must provide proof of age upon retirement. Any maiden names should be identified as such. The pension number or the last four digits of the Social Security number should be indicated on any documentation that is submitted.

The retirement application will not be processed until the NJDPB receives copies of birth evidence. If proof of age is not received within 90 days of the NJDPB's receipt of the retirement application, the retirement will be canceled and the member will need to submit another application for a future retirement date.

The following documents will be accepted as evidence for proof of age:

- Birth Certificate with visible seal;

- Passport or U.S. Passport Card;
- Current N.J. driver's license or digital non-driver ID card issued by NJMVC;
- Current Pennsylvania or New York driver's license; or
- Naturalization or Immigration Papers.

Unacceptable documentation includes expired documentation, out-of-state driver's licenses except P.A. and N.Y., hospital birth certificates, marriage certificates, census records, baptismal records, affidavits from older family members, or military records.

## SERVICE, SPECIAL, AND DEFERRED RETIREMENTS

### Member Responsibilities

Complete and submit the *Retirement Application* through MBOS at least three to four months in advance. The member must also submit a proof of age document upon retirement, if it has not been previously provided.

### Employer Responsibilities

- Submit a *Certification of Service and Final Salary* for member through EPIC as soon as possible once you are aware the member intends to retire; and
- Submit copies of indictments, convictions and/or preliminary and final notices of disciplinary action, if you certified that the former employee was dismissed with charges.

### Retirement Eligibility and Benefit Formulas

Members must meet all eligibility requirements upon termination of employment. The following charts provide details on eligibility requirements and benefit formulas.

<b>Service Retirement</b>	
<b>Eligibility</b>	At any age with 20 or more years of SPRS service credit.
<b>Benefit Calculation</b>	50% of Final Compensation.
<p><b>Note:</b> Former Membership Service under another New Jersey State-administered retirement system that is transferred or purchased on or after October 22, 2019, may be used to qualify for a SPRS Service Retirement upon making the required contributions to the SPRS. Former Membership Service under another New Jersey State-administered retirement system that is transferred or purchased prior to October 22, 2019, will be used in the computation of a retirement allowance on the basis of 1% of Final Compensation for each year of such service credit, but that service credit may not be used to qualify for a SPRS Service Retirement.</p>	
<b>Special Retirement</b>	
<b>Eligibility</b>	At any age with 25 or more years of SPRS service credit.
<b>Benefit Calculation</b>	65% of Final Compensation, plus 1% of Final Compensation per year over 25 years (up to 30 years). Benefit not to exceed 70%.
<p><b>Note:</b> Former Membership Service under another New Jersey State-administered retirement system that is transferred or purchased on or after October 22, 2019, may be used to qualify for a SPRS Special Retirement upon making the required contributions to the SPRS. Former Membership Service under another New Jersey State-administered retirement system that is transferred or purchased prior to October 22, 2019, will be used in the computation of a retirement allowance on the basis of 1% of Final Compensation for each year of such service credit, but that service credit may not be used to qualify for a SPRS Special Retirement.</p>	
<b>Deferred Retirement</b>	
<b>Eligibility</b>	At any age under age 55 with 10 or more years of SPRS service credit. Retirement becomes effective the first of the month after turning age 55.
<b>Benefit Calculation</b>	2% of Final Compensation per year of service credit, up to 25 years of service. Prior to turning age 55, the member may cancel the retirement and withdraw the contributions; all rights and privileges of the SPRS membership end.
<p><b>Note:</b> If death occurs between date of resignation and the effective date of the retirement, only the return of member contributions is payable to the named beneficiary.</p>	

## ORDINARY DISABILITY, ACCIDENTAL DISABILITY, AND INVOLUNTARY DISABILITY RETIREMENTS

Ordinary Disability Retirement	
<b>Eligibility</b>	<p>Members must be in service, have at least four years of creditable service as a State Trooper, and the Medical Review Board and Board of Trustees must deem the member totally and permanently disabled from doing normal job duties and any other duty made available by the Superintendent of the State Police.</p> <p><b>Note:</b> A member in service means that the member or the employer was making pension contributions to the retirement system at the time of filing the <i>Retirement Application</i>. It may also mean that the member was on an approved leave of absence, paid or unpaid, or suspension, paid or unpaid, at the time of filing the <i>Retirement Application</i>, and it has not been more than the time frames permitted by N.J.S.A. 43:16A-9(5)a for active membership since the member's last contribution to the retirement system. If the member has pending litigation for wrongful termination filed against the employer, the member has 30 days from the date the litigation is resolved to file for Disability Retirement in order to be considered a member in service.</p>
<b>Benefit Formula</b>	<p>Higher calculation of the following formulas:  <math>40\% \times \text{Final Compensation} = \text{Annual Maximum}</math>; or  <math>1.5\% \text{ of Final Compensation for each year of service credit.}</math></p>
<b>Member Responsibilities</b>	<ol style="list-style-type: none"> <li>1. Complete a <i>Retirement Application</i> online through MBOS prior to retirement date.</li> <li>2. Supply proof of age document.</li> <li>3. Have medical providers complete the <i>Medical Examination by Personal or Treating Physician</i> forms. Forms from at least two treating physicians are required. Alternatively, one of these forms may be substituted with a completed <i>Authorization to Disclose Hospital Records</i> from a hospital stay related to the disability.</li> <li>4. Complete the <i>Authorization for Release of Information (HIPAA)</i>.</li> </ol>
<b>Employer Responsibilities</b>	<ol style="list-style-type: none"> <li>1. Complete the <i>Employer Certification for Disability Retirement</i> through EPIC as soon as possible upon learning of member's retirement.</li> <li>2. Copies of indictments, convictions and/or preliminary and/final notices of disciplinary action, if you certified that the former employee was dismissed with charges.</li> </ol>

<b>Accidental Disability Retirement</b>	
<b>Eligibility*</b>	<p>A <i>Retirement Application</i> must be on file within five years of the accident. Member must be:</p> <ul style="list-style-type: none"> <li>• Enrolled at the time of accident (no minimum years of service credit);</li> <li>• A member in service at the time the application is filed at the NJDPB;</li> <li>• Considered by the Medical Review Board and Board of Trustees to be totally and permanently disabled from his or her job duties as a direct result of a traumatic event that occurred during and as a direct result of regular or assigned duties, but not as a result of willful negligence; and</li> <li>• Disabled for the performance of any other duty made available by the Superintendent of State Police.</li> </ul> <p><b>Note:</b> A member in service means that the member or the employer was making pension contributions to the retirement system at the time of filing the <i>Retirement Application</i>. It may also mean that the member was on an approved leave of absence, paid or unpaid, or suspension, paid or unpaid, at the time of filing the <i>Retirement Application</i>, and it has not been more than the time frames permitted by N.J.S.A. 43:16A-9(5)a for active membership since the member's last contribution to the retirement system. If the member had pending litigation for wrongful termination filed against the employer, the member has 30 days from the date the litigation is resolved to file for Disability Retirement in order to be considered a member in service.</p>
<b>Benefit Formula</b>	2/3 of Final Compensation.
<b>Member Responsibilities</b>	<ol style="list-style-type: none"> <li>1. Complete and submit a <i>Retirement Application</i> through MBOS.</li> <li>2. Supply proof of age document.</li> <li>3. Have medical providers complete the <i>Medical Examination by Personal or Treating Physician</i> forms. Forms from at least two treating physicians are required. Alternatively, one of these forms may be substituted with a completed <i>Authorization to Disclose Hospital Records</i> from a hospital stay related to the disability.</li> <li>4. Complete the <i>Authorization for Release of Information (HIPAA)</i>.</li> </ol>
<b>Employer Responsibilities</b>	<ol style="list-style-type: none"> <li>1. Complete the <i>Employer Certification for Disability Retirement</i> through EPIC as soon as possible upon learning of member's retirement.</li> <li>2. Submit copies of indictments, convictions and/or preliminary and final notices of disciplinary action, if you certified that the former employee was dismissed with charges.</li> <li>3. Submit copies of accident reports, incident reports, witness statements, medical records relating to the incident, and other related documents.</li> <li>4. Submit copies of Workers' Compensation awards.</li> </ol>

\* Certain SPRS members may be eligible for an Accidental Disability Retirement benefit under the provisions of The Bill Ricci World Trade Center Rescue, Recovery, and Cleanup Operations Act (P.L. 2019, c. 157). Please refer to the Accidental Disability Retirement Under Chapter 157 Fact Sheet for more information.

<b>Involuntary Disability Retirement</b>	
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Member is required to retire upon application by the State,</li> <li>• Member must otherwise qualify for Ordinary or Accidental Disability Retirement.</li> </ul>
<b>Benefit Formula for Involuntary Ordinary Disability</b>	<p>For members having four or more but less than 20 years of service credit, the calculation is the same as the regular Ordinary Disability Retirement calculation:</p> <p>40% x Final Compensation = Annual Maximum Pension (if approved).</p> <p>For members with 20 but not more than 25 years of service credit, the Involuntary Disability Retirement calculation is:</p> <p>50% x Final Compensation; plus</p> <p>3% for each year over 20 up to a maximum of 65% = Annual Maximum Pension.</p> <p><b>Note:</b> Out-of-State, U.S. Government, and Military Service purchases may not be used to qualify for an Involuntary Disability Retirement or to qualify for the higher benefit for members with 20 but not more than 25 years of service.</p>
<b>Benefit Formula for Involuntary Accidental Disability</b>	2/3 of Final Compensation.
<b>Member Responsibilities</b>	<ol style="list-style-type: none"> <li>1. Supply proof of age document.</li> <li>2. Have medical providers complete the <i>Medical Examination by Personal or Treating Physician</i> forms. Forms from at least two treating physicians are required. Alternatively, one of these forms may be substituted with a completed <i>Authorization to Disclose Hospital Records</i> from a hospital stay related to the disability.</li> <li>3. Complete the <i>Authorization for Release of Information (HIPAA)</i>.</li> </ol> <p><b>Note:</b> When an employer submits a <i>Retirement Application</i> for a member's Involuntary Disability Retirement, the member may not change the date of retirement indicated by the employer.</p>
<b>Employer Responsibilities</b>	<ol style="list-style-type: none"> <li>1. Complete a <i>Retirement Application</i> via EPIC on behalf of the member. Select "Estate" as beneficiary. The member will have the opportunity to update it later.</li> <li>2. Complete the <i>Employer Certification for Disability Retirement</i> through EPIC.</li> <li>3. Submit a letter from the Colonel of the New Jersey State Police addressed to the NJDPB stating that, in the employing authority's opinion, the member is totally and permanently disabled from fulfilling his or her job duties. The employer must submit attendance records, along with any pertinent medical records.</li> </ol>

# Group Life Insurance Coverage



### NONCONTRIBUTORY GROUP LIFE INSURANCE

Members of the SPRS have Noncontributory Group Life Insurance coverage only. The coverage is underwritten by the Prudential Insurance Company of America, Inc., and is provided as a result of pension membership. There is no cost to the member for this coverage. The State Treasurer is the official policyholder for the coverage, which is issued as Policy Number G-14800.

The benefit value of the group life insurance is 3.5 x salary. Salary is the total base salary upon which pension contributions were based during the last 12 months preceding the death of the member during active service.

### ENROLLING IN GROUP LIFE INSURANCE

Enrollment in group life insurance is accomplished through completion of the EPIC *Enrollment Application*, and coverage is effective beginning on the date of pension membership. The only exception is for employees who were previously enrolled and who converted their group life insurance to a private policy. If returning to work, they are not eligible for coverage until they cancel their non-group coverage.

### NAMING A BENEFICIARY FOR GROUP LIFE INSURANCE

The online pension enrollment application defaults to the member's estate for both group life insurance benefits and the return of pension contributions. The member must log on to MBOS to update beneficiary information. By doing so, the member may name any person, organization, estate or trust as beneficiary. This designation may be changed at any time during membership by completing the *Designation of Beneficiary* via MBOS. At retirement, the member will be asked to nominate beneficiaries on the *Retirement Application*.

### Confirmation of Enrollment in Group Life Insurance

After the member's enrollment in the pension system has been accomplished, life insurance information is passed to Prudential. The NJDPB will send the member a certificate of insurance, or insurance rider, that gives the group policy number(s) of the coverage, the member's name, location number, membership number, effective date of insurance, and beneficiaries of record. This certificate is an important document and should be safeguarded by the member.

### Changing a Group Life Insurance Beneficiary Designation

A member may change group life insurance beneficiaries at any time. Members must use MBOS to provide updated beneficiary information. For the protection of members and beneficiaries, the NJDPB will only accept a designation change by completing the MBOS *Designation of Beneficiary*. The NJDPB will not accept a change over the telephone or through a letter.

For members who are retired or who have submitted a *Retirement Application*, the beneficiaries designated on a retirement application supersede all prior designations once the application is on file at the NJDPB, even if the member later decides to cancel the retirement. Retired members wishing to update their group life insurance beneficiaries after retirement may submit a *Designation of Beneficiary* form via MBOS.

### GROUP LIFE INSURANCE WHILE ON A LEAVE OF ABSENCE

Group life insurance coverage will continue in full force for an official leave of absence without pay under the following conditions:

- For personal illness, the member's group life insurance coverage will continue for up to two years.
- To fulfill a residency requirement for either an advanced degree or as a full-time student at an institution of higher education, the member's group life insurance will continue for up to one year.
- For personal reasons (including family leave, leave for childcare), the member's group life insurance will continue in full force for up to 93 days.

### Cancellation of Group Life Insurance While on Leave of Absence

If the leave of absence extends beyond the time frames shown above, the group life insurance will terminate. The member has the option to convert the expired group life insurance to a private insurance policy.

### GROUP LIFE INSURANCE AND WORKERS' COMPENSATION WITHOUT PAY

If a member becomes disabled due to an illness or injury that is a direct result of regular job duties, the member should immediately apply for an official leave of absence due to illness. The group life insurance will automatically continue for the duration of the leave of absence for up to two years. During the interval between the time the member is without pay and the actual receipt of the Workers' Compensation award, he/she must be on an official leave of absence granted by the employer.

### GROUP LIFE INSURANCE UPON TERMINATION OF EMPLOYMENT

If a member terminates employment before retirement, the group life insurance will continue to be in effect for 31 days following the date of termination of employment. During that period, the member may convert the group life insurance to an individual policy with Prudential, not to exceed the dollar amount of coverage in effect as an active member.

### FILING FOR DISABILITY RETIREMENT AND GROUP LIFE INSURANCE

When a member files for a Disability Retirement, the life insurance coverage will continue to be in effect while the Disability Retirement application is being processed, provided that the member is on an approved leave of absence with pay.

### TAXABILITY OF GROUP LIFE INSURANCE OVER \$50,000

The IRS classifies the cost of all employer-paid group life insurance coverage over \$50,000 as a fringe benefit subject to federal income, Social Security, and Medicare taxes. The amount of life insurance coverage is not taxable, but the premium required to pay for the life insurance coverage is taxable.

N.J.S.A. 43:4C-1 permits members of the State retirement systems to waive their group life insurance over \$50,000 to avoid a possible federal and State tax liability on that benefit.

IRS Premium Rates		
Age Bracket	Cost of \$1,000 of Protection	
	Per Month	Per Year
Under 25	\$0.05	\$0.60
25 to 29	\$0.06	\$0.72
30 to 34	\$0.08	\$0.96
35 to 39	\$0.09	\$1.08
40 to 44	\$0.10	\$1.20
45 to 49	\$0.15	\$1.80
50 to 54	\$0.23	\$2.76
55 to 59	\$0.43	\$5.16
60 to 64	\$0.66	\$7.92
65 to 69	\$1.27	\$15.24
70 and above	\$2.06	\$24.72

*\*These rates are subject to change by the IRS. Contact the IRS to confirm current rates.*

### Determining the Taxable Amount of Group Life Insurance Coverage

To determine the taxable amount, take the amount of the group life insurance coverage and subtract \$50,000. The premium rates are then applied to the remaining life insurance amount. The premium costs for the life insurance are determined by the IRS based on age and salary. The premium cost of the remaining life insurance amount is the taxable amount and is added to the member's *Form W-2* for that year.

**Example:** A member is age 52 and has an annual base salary of \$50,000. The member's life insurance coverage totals \$175,000 (3.5 x \$50,000).

The fringe benefit amount is determined by subtracting \$50,000 from the total benefit amount (\$175,000), which equals \$125,000.

According to the IRS, the annual premium cost for an individual 52 years of age is \$0.23 per \$1,000 of coverage per month. The premium cost in this example is \$345.00 (125 x \$0.23 x 12) and would be added to this member's *Form W-2*. This does not mean that the member would pay an additional \$345.00 in taxes, but that \$345.00 would be added to the member's taxable wages for the year.

In this example, the member could waive \$125,000 of life insurance coverage because members are only permitted to waive coverage over \$50,000. The net taxable value would be reduced to \$0.00.

### WAIVING GROUP LIFE INSURANCE OVER \$50,000

N.J.S.A. 43:4C-1 permits members of the State retirement systems to waive their group life insurance over \$50,000 to avoid a possible federal and State tax liability on that benefit. Any member who waives the group life insurance must waive the total amount of group life insurance coverage in excess of \$50,000. Waivers of partial amounts are not permitted.

To avoid taxation, a member may waive coverage by completing a *Noncontributory Group Life Insurance in Excess of \$50,000 Election Form* and submitting it to the NJDPB. The form must be received by the NJDPB before December 31 to be effective January 1 of the next calendar year. Once a waiver form has become effective, it shall be irrevocable for the entire calendar year.

If a waiver is in effect at the time of termination of employment or retirement, the member will not be permitted to convert any amount of group life insurance coverage over \$50,000.

Before completing the form, the member should completely understand the ramifications of waiving group life insurance. For more information, refer them to IRS *Service Publication 525* online at: [www.irs.gov](http://www.irs.gov)

The NJDPB will notify the employer on a periodic basis of the waivers processed for their employees.

**Canceling the Waiver of Group Life Insurance Over \$50,000**

Once a waiver has become effective, it shall be irrevocable for at least an entire calendar year. The waiver will remain in effect until the member submits a new *Noncontributory Group Life Insurance in Excess of \$50,000 Election Form* to the NJDPB. The reinstatement will become effective the following January 1.

The NJDPB will notify the employer on a periodic basis of reinstatements of Noncontributory Group Life Insurance processed for their employees.

**GROUP LIFE INSURANCE UPON RETIREMENT**

Life insurance is payable only if the member retires with 10 or more years of pension membership credit or retires on a Disability Retirement. The amount of insurance provided in retirement for all but Disability Retirements is shown in the following chart:

Paid-Up Group Life Insurance Upon Retirement for SPRS Members	
While Active	When Retired
3.5 x salary*	50% x salary
*Salary is the total base salary upon which pension contributions were based during the last 12 months preceding retirement or death during active service.	

**Paid-Up Group Life Insurance for Disability Retirements**

If a member retires on a Disability Retirement, the group life insurance benefit remains at a higher level until the member reaches normal retirement age (55 for SPRS). At normal retirement age the benefit amount is reduced

to the normal retiree level. The member may elect then to convert the insurance that has been lost to an individual, non-group policy through Prudential.

**CONVERSION OF GROUP LIFE INSURANCE**

If a member is forced to terminate coverage under group life insurance, the member is entitled to convert the same amount of insurance coverage lost to an individual, non-group policy issued through Prudential.

This conversion is guaranteed. The member cannot be refused coverage for health or other reasons, and no physical examination need be taken. The member may select any type of policy customarily offered by Prudential except term life insurance or a policy containing disability benefits. The individual policy will be effective at the end of the 31-day period following cessation of employment or termination of insurance. The premiums will be higher than the member would pay if otherwise able to qualify medically for an individual policy with any insurance carrier.

A member may convert any dollar amount of group life insurance up to the maximum amount he or she is permitted to convert.

Several examples showing the amount of insurance that may be converted are shown below.

Insurance Amounts That May Be Converted — Examples
Upon Termination of Employment
A member has a base salary of \$40,000 in the 12 months prior to termination. <ul style="list-style-type: none"> <li>The death benefit would be \$140,000 (3.5 x \$40,000).</li> <li>If the member decides to convert the insurance coverage, (s)he could purchase up to \$140,000 worth of life insurance.</li> </ul>

Insurance Amounts That May Be Converted — Examples
Upon a Service Retirement
A member had a base salary of \$60,000 during the year before retirement. Active coverage = 3.5 x \$60,000 = \$210,000. <ul style="list-style-type: none"> <li>At retirement, the benefit would be reduced to 50% of Final Compensation (\$30,000).</li> <li>Difference in group life insurance coverage: \$210,000 - \$30,000 = \$180,000.</li> <li>\$180,000 could be converted to an individual policy with Prudential at retirement.</li> </ul>
Upon a Disability Retirement
A member with a Final Compensation of \$46,000 the year before retiring on an Ordinary Disability Retirement at age 39. <ul style="list-style-type: none"> <li>The member continues to have group life insurance coverage equal to 3.5 x \$46,000, or \$161,000, until reaching the Service Retirement age of 55.</li> <li>At age 55, the group life insurance benefit would be reduced to 50% of Final Compensation, or \$23,000.</li> <li>The member may then convert \$138,000 in coverage to an individual, non-group policy with Prudential.</li> </ul>
Upon a Deferred Retirement
A member has a base salary of \$36,000, making the active death benefit \$126,000 (3.5 x \$36,000). <ul style="list-style-type: none"> <li>The member leaves employment at age 36 and takes a Deferred Retirement, payable at age 55.</li> <li>When retired at age 55, the member will have paid-up life insurance of \$12,000 (50% of salary).</li> <li>Until age 55, the member has no group life insurance in effect.</li> <li>Within 31 days of terminating employment (not at retirement age), the member would be allowed to convert \$114,000 of insurance to an individual, non-group policy with Prudential.</li> </ul>

### **Applying for Conversion of Group Life Insurance Coverage**

To initiate the purchase of a conversion policy, the member must contact Prudential (not the NJDPB) at 1-855-364-7783, or through any of Prudential's local offices. The member will have to provide the Prudential agent with his/her group policy number and individual certificate number. The Group Policy number is G-14800. The individual certificate number is the member's pension membership number.

If a member returns to public employment after conversion, and the individual policy is still in effect at the time of enrollment in the retirement system, the member will be required to discontinue the individual policy before the member can be covered by group life insurance through the retirement system.

# Death Claims

## REPORTING A DEATH

In the event of an active or retired member's death while in service, the importance of contacting the NJDPB immediately to report the member's death cannot be stressed enough. A family member, survivor of the deceased, or employer of the deceased should provide the required information at the time of notification, including: the member's name, current address, Social Security number, member number or retirement number, date of death, and the prospective beneficiary's name, address, and telephone number, or the contact information of the person handling the deceased member's affairs.

Contacting the NJDPB by calling (609) 292-7524 and selecting the "Report a Death" option, or by email, are both acceptable means of reporting a member's death to the NJDPB. However, the claim cannot be processed until a certified death certificate is received. Upon receipt, the claim will be opened and the last designated beneficiary on file will be notified. See the *Death of a Member* Fact Sheet for further information about reporting a death.

## PAYMENT OF PENSION TO A FAMILY MEMBER

Upon the death of an employed or retired member, the spouse, civil union partner, domestic partner, child(ren), or dependent parents of the member may be entitled to a monthly pension. The benefits vary according to the status of the member at the time of the death. The terms used in the explanations of benefits are defined here:

**Spouse** — A person to whom the member was married on the date of his or her death. A photocopy of the *Marriage Certificate* is required for verification.

**Civil Union Partner** — A person of the same sex as defined by N.J.S.A. 37:1-29, with whom the member was partnered in a civil union until the date of his or her death and who has not entered into a new civil union or married (except for an Accidental Death Benefit). 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. See the *Civil Unions and Domestic Partnerships* Fact Sheet for details.

**Domestic Partner** — A person of the same sex as defined by N.J.S.A. 26:8A-1, with whom the member was partnered in a domestic partnership until the date of his or her death and who has not entered into a civil union or married (except for an Accidental Death Benefit). See the *Civil Unions and Domestic Partnerships* Fact Sheet for details.

**Child** — The member's unmarried child:

- Under the age of 18; or
- 18 years of age or older and enrolled in high school;
- Any age who, at the time of the member's death, is disabled because of mental or physical disability 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; or
- For an Accidental Death Benefit, a "child" may also mean an unmarried child under the age of 24 who is enrolled in college in a degree program for at least 12 hours per semester.

**Parent** — The member's parent who was receiving at least 50 percent support from the member in the 12 months immediately preceding the member's death (or the accident which led to the member's death in cases of an Accidental Death Benefit). The dependency of the parent will be considered terminated if he or she remarries after the death of the member

## DEATH IN SERVICE — ACTIVE MEMBERS

When an active member dies, but not as a direct result of regular or assigned duties, his or her named beneficiaries are entitled to the payment of the active group life insurance benefit. SPRS group life insurance benefits consist of Noncontributory Group Life Insurance only, depending on the membership status at the time of death.

In addition, the surviving spouse/partner is eligible to receive a pension benefit equal to 50 percent of the member's Final Compensation.

**Final Compensation** — for a Tier 1 member, Final Compensation means the salary upon which pension contributions were based in the last 12 months of creditable service preceding the member's death as an active member.

For a Tier 2 member, Final Compensation means the average salary upon which pension contributions were based for any three fiscal years of membership preceding the member's death as an active member that provides the largest possible benefit.

For all SPRS members, Final Compensation includes the value of the maintenance allowance for the same period.

If there is no surviving spouse/partner, the following benefit is payable to eligible children:

- 50 percent of final compensation to one eligible child; or
- 50 percent of final compensation to two or more eligible children, payable in equal shares.

If there is no surviving spouse/partner or children, a pension is paid to eligible parents as follows:

- 40 percent of Final Compensation to two parents; or
- 25 percent of Final Compensation to one parent.

If there is no eligible surviving spouse, partner, children, or parents, the member's contributions are paid to his or her named beneficiary. In the event that a specific beneficiary has not been named, the funds will be paid to the member's estate.

### EMPLOYER RESPONSIBILITIES

Complete the *Employer Certification: Death Claim For PERS/TPAF/PFRS/SPRS Members*, sometimes referred to as a *P-29*, which is also an acceptable form of notification of a death.

Provide the most recent salary and pension contribution information for the period prior to the date of death of the member. This is required in order to avoid the delay of waiting for the *Quarterly Report of Contributions* before processing the claim.

On the *P-29* form, indicate the employment status of the member at the time of death. This includes the last day of active service, if the member resigned or was on a leave of absence without pay, etc.

The completed certification should be returned to the NJDPB within three days of receipt. Faxes are acceptable to initiate a claim, but the original must be forwarded to the NJDPB immediately.

**Important:** You must complete Section #9: "Was member on an official leave of absence with or without pay?" If you indicate that a member was on an approved leave of absence without pay, you must give the date the leave was granted, the reason for the leave, and supporting documentation.

The following documents should accompany the *Employer Certification: Death Claim For PERS/TPAF/PFRS/SPRS Members* if the deceased member was on leave at the time of death:

- Board minutes/administrative approval of a leave of absence; or

- Any written documentation approving a leave; the document must indicate whether the member was on a leave without pay. This document must also include the start date and end date of the approved leave and the reason for the leave.

Failure to complete this portion will result in a delay in the processing of the death claim.

### ACCIDENTAL DEATH IN SERVICE

If an active member dies as a direct result of an accident while in the performance of regular or assigned duties and the death is not a result of willful negligence, then Accidental Death benefits may be awarded to the member's beneficiary(ies) by the SPRS Board of Trustees.

Accidental Death benefits include the payment of group life insurance benefits, plus a pension benefit to the surviving spouse, civil union partner, or same-sex domestic partner, in the amount of 70 percent of the member's Final Salary.

Under N.J.S.A. 53:5A-3, this is a lifetime benefit for the surviving spouse/partner of the deceased SPRS member; it will continue regardless of whether the surviving spouse or partner of the SPRS member subsequently remarries or enters into a civil union after the member's date of death.

For further details concerning benefits if there is no surviving spouse or partner, refer to the *SPRS Member Guidebook*.

All requests for Accidental Death benefits should be referred to the SPRS Secretary of the Board of Trustees. The notification should be provided in writing by submitting the *Employer Certification — Accidental Death on Duty* form or by letter.

The NJDPB will request the following information from the employer:

- *Employer Certification — Accidental Death on Duty* form;
- Employer's Accident Report;
- Police Report and/or Autopsy Report; and
- Witness Statements.

The NJDPB will request the following information from the surviving spouse/partner:

- *Application for Accidental Death Benefits*;
- *Certified Death Certificate*;
- *Marriage Certificate* from a surviving spouse, or *New Jersey Civil Union Certificate* from a surviving civil union partner, or a valid certification from another jurisdiction that recognizes civil unions, or *New Jersey Certificate of Domestic Partnership*, or a valid certification from another jurisdiction that recognizes same-sex domestic partnerships;
- *Income Tax Return* for the last year before the member's date of death or date of accident.

**Important:** The report of death must be filed with the NJDPB within 60 days of the event. The Board of Trustees may waive the time limit for a reasonable period but under no circumstances should the application be filed beyond five years from the date of death.

# Withdrawals



## OVERVIEW

Any SPRS member who terminates covered employment prior to retirement may withdraw the pension contributions in his or her account if certain criteria established by statute are met.

See the *Withdrawal from the Retirement System* Fact Sheet for additional information.

### **Application for Withdrawal through MBOS Required**

An eligible member who terminates employment and chooses to withdraw from a pension account must submit the withdrawal application online using the MBOS *Application for Withdrawal*.

Upon receipt of both the *Application for Withdrawal* and the *Employer's Certification for Withdrawal*, the NJDPB will refund the contributions of eligible members. No interest is credited to the accounts of SPRS members.

There are no provisions for partial withdrawals.

The NJDPB also offers an Automated Information System at (609) 292-7524 for general withdrawal information, or information pertaining to an individual withdrawal claim.

## EMPLOYER RESPONSIBILITIES

The *Employer's Certification for Withdrawal* is to be completed through EPIC by the former employer after the member has terminated employment. Forms completed in advance of termination of employment will not be accepted. The *Employer's Certification for Withdrawal* must be completed in its entirety or the claim cannot be processed.

The employer should contact the NJDPB if any inactive employee returns to covered employment within the two-year period or before the account is expired.

The account will be reactivated at the same rate of contribution and service credit. The period during which the member was inactive constitutes a break in service.

In the event that an employee is dismissed from service, a withdrawal claim cannot be paid if the member is appealing the dismissal. The State Merit System Board is contacted when a member covered by the merit system is dismissed. If an appeal has been filed, the withdrawal is not paid until the appeal has been settled and the status of the employee is clarified.

If the employee is a participant in the Supplemental Annuity Collective Trust (SACT) or the New Jersey State Employees Deferred Compensation Plan (NJSEDCP), and is choosing to withdraw all accumulated salary deductions in the retirement system, separate applications to withdraw from these funds must also be filed with the NJDPB.

## INACTIVE MEMBERSHIP

Any member who resigns may leave the accumulated contributions with the pension system and continue on an inactive status for a period of up to two years. After the two-year inactive period, the account is considered expired.

Prior to the completion of the two-year inactive period, the NJDPB will send both the member and the employer an *Expiration Notice*. A copy is sent to the former employer in case the employer has an updated address for the member. The employer is asked to forward the notice since failure to notify the employee may jeopardize the member's eligibility for retirement benefits, if any.

Once an account has expired, the contributions will remain in the expired account until the member completes an *Application for Withdrawal*.

## EXTENSION OF INACTIVE MEMBERSHIP PERIOD AND LEAVE OF ABSENCE

An employee's membership will not end two years after his or her last contribution if he or she is granted an official leave of absence; the two-year period begins at the end of the leave of absence.

If a member's employment is terminated through no fault of the member (e.g., abolishment of the position, layoff, reduction in force), the inactive period will be extended for an additional three years for a total of five years.

**Note:** Extensions are not automatic.

Documentation from the employer showing that the leave of absence was extended or that the termination was not voluntary must be submitted to the NJDPB. The extension of inactive status up to five years only gives the member the right to start contributing to the retirement system should he/she once again obtain SPRS employment; it gives the member no other rights or benefits.

In the event that an account does not become active within the extension, the member will be notified in writing concerning the date that his or her account will expire.

## WORKERS' COMPENSATION AND WITHDRAWAL

Under the provisions of the statutes as interpreted by court decisions, pension contributions are made if the employee is awarded Workers' Compensation benefits. An employer is required to make pension contributions on behalf of an employee receiving periodic payments based on temporary or permanent Workers' Compensation awards. The voluntary resignation or retirement of an employee receiving any kind of Workers' Compensation frees the employer from pension contributions on behalf of the member.

The question concerning periodic benefits under a claim filed for Workers' Compensation must be answered because it may have pension consequences that affect withdrawal. Lump-sum awards under Workers' Compensation need not be listed because they have no effect on an *Application for Withdrawal*. For more information, see the *Workers' Compensation* Fact Sheet.