

**EMPLOYEES' RETIREMENT SYSTEM OF JERSEY CITY
ERS PENSION MEMBER GUIDEBOOK**



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**ERS GENERAL
INFORMATION**

**Employees' Retirement System of
Jersey City**

ERS General Information

Foreword

The Jersey City Employees' Retirement System Member Guidebook provides a summary description of the benefits of the plan and outlines the rules and regulations governing the plan. The ERS Member Guidebook should provide you with all the information you need about your ERS benefits. However, if there is a conflict with statutes governing the plan or regulations implementing the statutes, the statutes and regulations will take precedence. The terms governing this employee benefit program are set forth in the New Jersey Statutes Annotated. The purpose of this guidebook is to provide you with information about the retirement system to assist you in making decisions concerning you and your family's future.

If you have questions concerning your ERS retirement system benefits, please contact us via
Phone: (201) 547-5143
Email: employeebenefits@jcnj.org
or mail:

**ERS of Jersey City
280 Grove Street, Room 106
Jersey City, NJ 07302**

On all correspondence, be sure to include the last four digits of your Social Security number.

**Introduction
Employees' Retirement System of
Jersey City**

This booklet is prepared and distributed by the Employees' Retirement System of Jersey City for general information purposes only. This booklet does not determine or create any contractual or other entitlement. Employee pension benefits are determined strictly in

accordance with the governing State Statute and from no other source.

The information contained in this booklet pertains **only** to members of the locally administrated **Employees' Retirement System of Jersey City (ERS) not** to members of the Public Employees' Retirement System (PERS) or to any other State Administrated retirement system.

For Counseling Services, please contact the office to schedule an appointment to discuss retirement options with an ERS Pension representative. Appointments are available Monday through Friday 9:30 AM to 3:30 PM.

If you have any questions regarding your ERS Account, please call (201) 547-5143.

ELIGIBILITY

Membership

Eligibility rules and regulations are described in general terms in this guidebook and may not cover all situations. If you have been a public employee for several years, you should be aware that the present rules and regulations governing enrollment in the retirement system differ from past rules and regulations. If you have specific questions concerning your date of enrollment or membership status, you can contact an ERS representative for additional information.

Employees who are enrolled in the Employees' Retirement System of Jersey City

Eligibility - Members and Conditions for Membership

Membership in the retirement system is required as a condition of employment for employees of the City of Jersey City who work 26 hours or more per week. Although most employees are required to enroll in the retirement system when hired, in

some instances you may not qualify for enrollment in the system until up to one year from your date of employment.

The members and conditions of membership in the retirement system created by this act shall be as follows:

(a) Any person who shall become an employee of the city after the effective date of P.L.1964, c.275 (C.43:13-22.50 et seq.) and prior to attainment of the age of 40 years, shall become a member of the retirement system, as a condition of employment, unless the person is a member of the Public Employees' Retirement System, pursuant to P.L.1954, c.84 (C.43:15A-1 et seq.), in which that person shall remain enrolled.

(b) The failure of any member to comply with the rules and regulations prescribed by the commission, pursuant to this act, shall result in the suspension or termination of membership in, or benefits of, this retirement system as may be provided from time to time by the

commission.

L. 1964, c.275, s.3; amended 1966, c.158, s.2; 2013, c.282, s.2.

Example: If you are hired as a temporary or provisional employee you would not be eligible for enrollment until the beginning of the 13th month of continuous employment. If you become permanent prior to your anniversary date, you are enrolled as of the permanent date.

ERS Membership Tiers

Members are categorized by specific "membership tiers" based on enrollment date. Membership tiers affect a member's enrollment and retirement eligibility. These membership tiers, pursuant to **(N.J.S.A. 43:13-22.53)** are defined as follows:

Tier 1

Members who were hired prior to January 17, 2014 and under the age of 40 who work 20 hours or more per week were enrolled in the Employees' Retirement System of Jersey City.

Permanent employees were enrolled as of date of hire. Provisional employees must work one year before they become eligible to join ERS. If they became permanent before their anniversary date, they were enrolled as of their permanent date.

Tier 2

Members who were hired on or after January 17, 2014 until November 17, 2022 under the age of 40 who worked 25 hours or more per week. Members who were hired on or after November 18, 2022 under the age of 40 who work 26 hours or more per week.

Permanent employees are enrolled as of date of hire. Provisional employees must work one year before they become eligible to join ERS. If they become permanent before their anniversary date, they are enrolled as of their permanent date. Employee must be under the age of 40 at time of enrollment.

Employees under the age of 40, who have an active account with the Public Employees' Retirement System (PERS) when hired will not be enrolled in the Employees' Retirement System of Jersey City; they will remain in (PERS).

Factors for Ineligibility

You are not required to be a member of any other retirement system on the basis of the same position.

You cannot join ERS if:

- ❖ You are a provisional or temporary employee covered by Civil Service with less than 12 months of continuous service.
- ❖ You are a seasonal employee (defined as occasionally working in a position that does not lead to permanent employment, and does not extend beyond six consecutive months.
- ❖ You are a retired ERS member, who returns to public employment.
- ❖ You are retired and receiving a monthly retirement allowance

from another public retirement system in New Jersey. If you are in doubt about the eligibility of a position, please contact the office at (201)547-5143.

Enrollment/Certification of Payroll Deductions

Your enrollment in ERS will be processed in a timely manner. When enrollment processing is complete, you will receive a Payroll Deduction Form with the date pension deductions will begin, your rate of contribution, and any back deductions due. You may wish to keep the Payroll Deduction Form on file with your other important papers so that you have a record of your enrollment in the retirement system.

Proof of Age

All members of ERS must provide documentation that proves their age. If possible, you should provide your proof of age when you return your ERS enrollment application. However, it does not delay the processing of your enrollment application if you do

not. Proof of age will be required to be eligible to retire.

Acceptable evidence of your age includes a photocopy of:

- ❖ Birth certificate - with visible seal
- ❖ Passport or U.S. Passport Card
- ❖ A current digital New Jersey driver's license or identification card (for non-drivers) issued by the N.J. Motor Vehicle Commission
- ❖ A current digital Pennsylvania or New York driver's license;
- ❖ Naturalization or Immigrant papers.

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

Public Information and Restrictions

Most of the information maintained by the retirement system, including member salary and/or pension

benefit information, is considered a public record under (**N.J.S.A. 47:1A-1 et seq.**), the Open Public Records Act (OPRA). However, certain personal information, such as a member's address, telephone number, Social Security number, while the member is living, and medical information is restricted from public access.

Member Contribution Rate

Pensionable Salary - Your contribution rate is applied to your biweekly salary to determine pension deductions. This does not include overtime or bonuses. Your pension contributions are deducted from your salary each pay period. Contribution rates are based on your age at time of enrollment. The Contribution Rate chart is listed on page 9.

Federal Pensionable Maximum - Since the ERS is a "qualified" pension plan under the provisions of the Internal Revenue Code (IRC), Section 401(a)(17), the current federal ceiling on pensionable compensation applies to the base salaries of ERS members.

Tax Deferral - Since January 1987, all mandatory pension contributions to

ERS have been federally tax-deferred. Under the 414(h) provisions of the IRC, this reduces your gross wages subject to federal income tax. Purchases of service credit are voluntary and are not tax deferred, unless funded by a rollover from a tax deferred plan.

Vesting

You are vested in the ERS after you have attained 10 years of service credit. Being vested in the ERS means that you are guaranteed the right to receive a retirement benefit when you reach "normal retirement age." For Tier 1 members normal retirement age is 60. For Tier 2 members it is age 65.

- ❖ If you are vested and terminate your employment, you must file a retirement application prior to receipt of any benefits for which you may qualify (see the "Types of Retirement" section). Alternatively, you may voluntarily withdraw from the retirement system (see "Withdrawal from the Retirement System" section).

| Contribution Rates | |
|---------------------------------|---------------------------------------|
| <u>Age at Enrollment</u> | <u>% Rate of Contributions</u> |
| 21 and Under | 6.20% |
| 22 | 6.30% |
| 23 | 6.40% |
| 24 | 6.50% |
| 25 | 6.60% |
| 26 | 6.70% |
| 27 | 6.80% |
| 28 | 6.90% |
| 29 | 7.05% |
| 30 | 7.25% |
| 31 | 7.35% |
| 32 | 7.55% |
| 33 | 7.75% |
| 34 | 7.95% |
| 35 | 8.15% |
| 36 | 8.35% |
| 37 | 8.65% |
| 38 | 9.00% |
| 39 | 9.30% |

**PURCHASING AND
SERVICE CREDIT**

OVERVIEW

Since your retirement allowance is based in part on the amount of service credit posted to your account at the time of retirement, it may help you to purchase additional service credit if you are eligible to do so.

Only active members of the retirement systems are permitted to purchase service credit. An active member is one who has not retired or withdrawn, and who has made a contribution to the retirement system.

In no case can you receive more than one year of service credit for any calendar or fiscal year.

TYPES OF SERVICE ELIGIBLE FOR PURCHASE

If a type of service is not listed below, it is not eligible for purchase.

Temporary Service

Members may be eligible to purchase service credit for temporary or provisional employment with the City.

- ❖ Members of ERS are eligible to purchase up to 3 years of former service in PERS.
- ❖ Members are eligible to purchase up to 3 years of military time.
- ❖ Part-time service may be eligible for purchase.
- ❖ Service worked through the CETA Program may be eligible for purchase.

You must have proof of employment such as a detailed Employment Record.

Leave of Absence Without Pay

Members may be eligible to purchase service credit for official leaves of absence without pay. The amount of time eligible for purchase depends on the type of leave that was taken.

Members may Purchase Leaves of Absence for the Following:

- ❖ Personal Leave(up to 3 months)

- ❖ Medical Leave(up to 2 years)

Former Membership Service

Members may be eligible to purchase all service credited under a previous membership in the Employees' Retirement System of Jersey City (ERS).

Military Service before Enrollment

Members may be eligible to purchase service credit for up to 3 years of 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.

Active military service eligible for purchase means full-time duty in the active military service of the United States and includes full-time training duty, annual training duty, and attendance at a school designated as a service school by law or by the secretary of the military department concerned. It cannot include periods of service of less than 30 days. It does not include weekend drills, annual

summer training of a National Guard or reserve unit or time spent as a cadet or midshipman at one of the military academies.

IMPORTANT PURCHASE NOTE

- ❖ Purchases of service credit are voluntary and are not tax-deferred unless funded by a rollover from a tax deferred Plan.

COST AND PROCEDURES FOR PURCHASING SERVICE CREDIT

You can receive an estimate of the cost of purchasing service credit via phone: 201-547-5143 or email: employeebenefits@jcnj.org

Employment Rendered as a City of Jersey City Employee Purchase Factors:

- ❖ Based on your annual salary at the time the Division of Pension receives your request
- ❖ Your Contribution Rate at the time of Purchase Request

Purchase Factors to Purchase PERS Service and Military Service:

- ❖ Based on your nearest age at the time the Division of Pension receives your purchase application.
- ❖ The highest annual salary at the time the purchase request is received by the office.
- ❖ The years and months of service being purchased

The cost of the purchase will rise with an increase in your age and/or salary.

Partial Purchases

You may purchase all or part of any eligible service. If you make a partial purchase, you may purchase any remaining eligible service at a later date. The cost of any later purchase will be based upon your age and the annual salary or highest fiscal year salary at the time of your subsequent request to purchase.

Applying To Purchase Service Credit

Purchase requests may be submitted via email: employeebenefits@jcnj.org Once a Pension representative receives your request, they will calculate the cost and send you a Purchase Agreement Form. You must respond to the quotation letter within the specified time period. When you agree to purchase a certain amount of service credit, it is assumed that you will complete the purchase and your ERS account will be credited with the entire amount of service, even if you are paying the cost through payroll deductions. Any estimates of retirement benefits you receive are based on the full amount of credit you agreed to purchase.

You may pay the cost of purchasing service credit:

- ❖ In one lump-sum payment

- ❖ By having extra payroll deductions withheld from your pay. The deduction will be based on the cost and cannot exceed a maximum period of 78 payments (3 years).
- ❖ By paying a lump sum payment and having the remainder paid through payroll deductions.
- ❖ With funds from a qualified tax deferred Plan via a direct rollover.

If you retire before completing a purchase, you may choose to receive prorated credit for the amount of service you have paid for or you can pay the balance at the time of retirement to receive full credit.

If you return from an approved leave of absence, your original purchase will be resumed.

LOANS

OVERVIEW

If you are an active contributing member of the ERS, you may be eligible to borrow from your pension account.

Loans are governed by the following conditions:

- ❖ **Service Credit** - You must have at least three years of pension service credit and at least \$2,000 contributed to the Pension System.
- ❖ **Number of Loans Per Year** - You may borrow twice in any calendar year. This is determined by the date of the check, not the date of the request. For example, if you make a request for a loan on December 28th but the check is dated January 6th, the loan is considered your first for the New Year.
- ❖ **Loan Amount** - The minimum amount you may borrow is \$1,000 and loan amounts then increase in increments of \$100.

The maximum you may borrow is one-half of your contributions that are posted to your account, up to a maximum loan balance of \$50,000, whichever is less, when added to the highest balance of any loan in the last 12 months.

The loan must be repaid prior to attaining age 70.

You may learn the amount you are eligible to borrow by contacting the office by phone or email.

- ❖ **Interest Rate** - Interest is charged on the declining balance of the loan at a rate set annually by the Pension Commission. The current Interest Rate is listed on the Loan Application.

When you borrow, you will have the same interest rate for the life of your loan unless you borrow again in a different calendar year after the interest rate has changed. Every time you borrow, the entire outstanding balance is re-calculated at the current year's interest rate. The new loan must

be repaid within five years of the original loan date.

In accordance with N.J.S.A. 43:13-22.67, the interest rate is fixed annually by the Pension Commission by using the average daily rate paid by the 30 Year U.S. Treasury Bond for the month of November plus 1% or 10%, whichever is less. However, if the November 30 year treasury average is less than Prime rate for this time period, then the loan rate will be set by adding 1.5% to the November 30th Prime rate amount.

- ❖ **Loan Repayment** - Loans must be repaid within five years. The minimum deduction toward the repayment of a loan is equal to the full pension contribution rate. The maximum allowable deduction at the time of application toward the repayment of your loan is 25 percent of your base salary. Provided that the minimum loan repayment amount will repay the loan balance within five years, the repayment amount of a loan will be similar whether you borrow

\$1,000 or \$5,000; however, the repayment of a larger loan will continue for a longer period of time than for a smaller loan.

Loan repayments will increase to more than the minimum deduction if the entire loan balance cannot be paid within the five-year requirement or if you have an outstanding loan and take another loan.

If you have an outstanding loan balance and take another loan, the Internal Revenue Service (IRS) requires that the new combined loan balance must be repaid within five years of the date of the first loan. This means that the repayment amount may be substantially higher to ensure full repayment of the total loan balance within five years of the issuance of the original loan. Furthermore, the requested loan amount may be reduced, or the loan request may be rejected, if the payroll deductions required to repay the loan within this five-year period would exceed the 25 percent of salary restriction in State law.

APPLYING FOR A LOAN

All pension loan requests must be submitted by the date on the Loan Schedule. Once you submit the Loan Application, it is your responsibility to confirm timely receipt.

Early Loan Repayment

You may request a repayment figure for your full loan balance any time prior to the end of your regular repayment schedule. You can pay the loan balance in full or make partial payments. Please contact the office for a form to facilitate this request.

Loans at Retirement, Death, or Termination of Employment

If you retire before repaying the outstanding balance of your loan, your loan payments will be carried into retirement. You may repay your outstanding loan balance in one lump sum prior to retirement. If you decide to carry the loan balance into retirement, a Pension representative will advise you of the monthly deduction amount.

If you terminate employment and withdraw your contributions before repaying your loan, all your contributions less the loan balance will be returned to you (see "Internal Revenue Service Requirements" below).

INTERNAL REVENUE SERVICE (IRS) REQUIREMENTS

IRC Section 72(p) requires that loan balances cannot exceed \$50,000 and must be repaid within five years. If you take a subsequent loan (or loans) and your original loan balance is not completely paid off, the repayment period will remain five years from the date of the first loan.

The repayment rules on subsequent loans may result in either a substantial increase in your repayment amount, or may limit the amount that you can borrow if the payroll deductions to repay the loan exceed the 25 percent of base salary restriction on loan repayments.

The IRS regulations also require members to make timely payments

toward outstanding loan balances. While it is your employer's responsibility to withhold loan deductions from your salary, if you are out of work without pay, your employer has no salary from which to take deductions. It is the member's responsibility to ensure that the loan balance, plus interest, is paid in full in accordance with IRS regulations.

Failure to repay the loan as scheduled (through either lump-sum payment, or return to payroll) will result in the unpaid loan balance being declared in default. If a loan is in default, the loan balance is declared a "deemed distribution" and will be reported to the IRS as taxable income. For the tax year in which the default occurs, the ERS will send you a **Form 1099-R** for tax filing purposes. You will be required to include the portion of the loan representing before-tax contributions as income on your federal return. In addition, if you are under age 59^{1/2}, you will be required to pay an additional 10 percent tax for taking an early pension distribution.

If you default on your loan, it will be your responsibility to make an estimated tax payment to the IRS to cover your tax liability on the deemed distribution; no withholding will be deducted from your ERS account.

Note: Paying taxes on a defaulted loan balance does not negate the balance; you are still responsible for paying the loan balance and any interest that accrues on it within the remaining period left in the original five-year schedule. Any repayments will be returned to your account as after-tax contributions.

You may not take another loan until the deemed distribution is paid in full. A deemed distribution cannot be canceled by resuming your loan payments or repaying the loan in full prior to the end of the tax year in which the default occurs. If you resume your loan repayments after the default, the payments received will be posted to your account as previously taxed contributions that will increase the nontaxable portion of your pension at retirement.

Unlike a normal pension distribution, a loan treated as a distribution cannot be rolled over to an IRA or other qualified retirement plan.

RETIREMENT

OVERVIEW

Applications for retirement must be filed with an ERS Pension Representative. It is the member's responsibility to apply for retirement and ensure that all required documents are received within 90 days of the effective retirement date. This will allow for timely processing of your retirement benefits.

Retirement Calculation Definitions

"Years of Service" means the years and months of pension service credited to your account, including purchased service credit. All members receive a slightly higher percentage for each additional month of service.

"Final Average Salary (FAS)" is the salary used to calculate your retirement. It is based on pensionable salary and does not include extra pay for overtime or money given in anticipation of your retirement. Nor does it include amounts paid for housing, clothing, or uniform allowances.

For Tier 1 members, FAS means the average salary for the 36 months (30 months for employees with 10-month contracts) immediately preceding your retirement. If your last Three years are not your highest years of salary, your allowance will be calculated using your 3 highest fiscal years.

For Tier 2 members, FAS means the average salary for the 60 months (50 months for employees with 10-month contracts) immediately preceding your retirement. If your last Five years are not your highest years of salary, your allowance will be calculated using your 5 highest fiscal years.

TYPES OF RETIREMENT

There are several types of retirement for which you may qualify:

Service Retirement

Available to Tier 1 members upon reaching age 60 or older; and to Tier 2 members upon reaching age 65 or older.

Tier 1 Employees enrolled before January 17, 2014 under the age of 40.

Member must be 60 years of age or older with 20 years or more of credited service in the Pension System.

Members with 20 or more years of credited service in the Pension System will receive 55% for 20 years plus 1% for every year over 20.

Example: 55% X average of the highest 3 years' salary.

Tier 2 Employees enrolled as of January 17, 2014 under the age of 40.

Member must be 65 years of age or older, with 25 years or more of credited service in the Pension System.

Members with 25 or more years credited in the Pension System will receive 55% for 25 years plus 1% for every year over 25.

Example: 55% X average of the highest 5 years' salary.

Early Retirement

The benefit is calculated using the appropriate Service Retirement formula; however, your allowance is permanently reduced if you retire prior to attaining certain ages as defined by your membership tier.

Tier 1

Available to members who have 25 or more years of pension service credit before reaching age 60.

Members who retire before age 60, your allowance will be reduced by (1%) per year for each year under the age of 60.

Tier 2

Available to members who have 30 or more years of pension service credit before reaching age 65.

Members who retire before age 65, your allowance will be reduced by (3%) per year for each year under the age of 65.

Widow/Widower Retirement

- ❖ "Widow" or "widower" shall mean the surviving un-remarried spouse of a member married to such member prior to the retirement or death of such member, and said marriage having occurred at least five years prior to the member's death or retirement, whichever is earlier.
- ❖ "Widow" or "widower" includes civil union surviving partners who have not married or entered into another civil union whose civil union occurred at least 5 years prior to the death or retirement of the member whichever is earlier.
- ❖ Upon the death of a member in service who shall have paid into the fund the full amount of contributions due and who shall die as a result of injuries or illness received or incurred in the performance of that

member's regular or assigned duties a pension of 50% of the member's final salary shall be paid to the surviving widow, so long as she remains unmarried, or surviving widower, so long as he remains unmarried or does not enter into a civil union.

- ❖ Upon the death of a member in service who shall have paid into the fund the full amount of contributions due and who shall die for causes other than injuries or illness received or incurred in the performance of that member's regular or assigned duties and who shall have served in the employ of the city for five or more years a pension in an amount equal to 50% of the member's final salary shall be paid to the surviving widow, so long as she remains unmarried, or surviving widower, so long as he remains unmarried or does not enter into a civil union.

Dependency Retirements

- ❖ If there is no surviving widow or widower or in case the widow or widower dies or remarries, a pension of 20% of such final salary shall be paid to one surviving child, 35% of such final salary shall be paid to two surviving children in equal shares, and if there are three or more children, 50% of such final salary shall be paid to such children in equal shares; and if there is no surviving widow, widower, or child, a pension of 40% of such final salary shall be paid to two surviving dependent parents in equal shares.
- ❖ In the event a pension shall be payable as a result of the death of a member in service and there are no eligible survivors at the time of such member's death, an amount equal to such member's contributions to the fund, without interest, shall be paid to the member's estate. If, after the payment of all

pension and survivorship benefits payable by the retirement system to any eligible survivors of a deceased member or retirant, the total amount of those benefits, including adjustments under sections 7 through 13 of P.L.1990, c.20 (C.43:13-22.69 to 43:13-22.75), together with the total amount of any retirement allowance or pension benefits, including adjustments, which shall have been paid to the decedent during retirement, is less than the amount of the decedent's contributions during membership in the retirement system, the amount of the difference, without interest, shall be payable to the deceased member or retirant's estate.

- ❖ If at the time of death of a member in service the sole eligible survivors of such member are minor children and the total of the aggregate payments on account of such

children shall be an amount which is less than such member's contributions to the fund, without interest, the balance of such amount shall be payable to the guardian of such minor children.

Deferred Retirement

Available to members who have at least 10 years of service credit and are not yet 60 years of age if a Tier 1 member or 65 years of age if a Tier 2 member, when they terminate employment. The retirement would be effective on the first date of the month after attaining the appropriate Deferred Retirement age. The benefit is calculated using the appropriate Service Retirement formula.

You must file a Deferred Retirement application with an ERS Pension Representative for the Deferred Retirement to take effect. Under no circumstances can a Deferred Retirement become effective prior to the date the application is received.

If you return to ERS-covered employment before your Deferred Retirement becomes effective, you may cancel your retirement and become eligible to maintain your original ERS membership tier status, provided you have not withdrawn your membership and it has not been more than one year since your last pension contribution. If, however, there has been a break in service of more than one year since your last pension contribution, or if you have withdrawn your account, you will be enrolled in a new ERS account under the membership tier in effect at the time you return to employment.

At any time before your Deferred Retirement becomes effective, you may change your mind and apply for a lump-sum withdrawal of all your pension contributions. However, once you cancel your Deferred Retirement and withdraw your contributions, all the rights and privileges of membership in the retirement system end.

Please note the following important information about loans and purchase

arrears if you are considering a Deferred Retirement:

- ❖ **Loans** - If you terminate employment, failure to repay a pension loan as scheduled may result in the unpaid loan balance being declared a taxable distribution that will be reported to the IRS. For more information about the IRS regulations regarding the repayment of pension loans, see the "Internal Revenue Service IRS Requirements" section.
- ❖ **Purchase Arrears** - If you have not made installment payments for the purchase of additional service credit for one year, your purchase will be canceled. You will receive pro rata credit for the service purchased to the date that the installment payments ceased. See the "Applying to Purchase Service Credit" section for more information.

Ordinary Disability Retirement

Ordinary Disability Retirement is available to Tier 1 and Tier 2 members.

To qualify for an Ordinary Disability Retirement you must:

- ❖ Have an active ERS account. Active membership ceases after discontinuance of pension contributions for more than one year.
- ❖ Have 5 or more years of service credit.
- ❖ Be considered totally and permanently disabled (you must prove that you are physically or mentally incapacitated from performing your normal or assigned job duties or any other position your employer may assign);
- ❖ Be disabled at the time you separated from service as a result of the alleged disability

that renders you totally disabled; and

- ❖ Submit all medical reports or corroborating evidence on file that supports your disability within six months or your application will be canceled and you must re-file.
- ❖ The ERS Pension Commission requires you to be examined by physicians selected by the retirement system. The examination will be scheduled at no cost to you. All medical information is kept confidential and only for use by the Pension Commission in evaluating your application.

If you are approved for an Ordinary Disability Retirement, the annual benefit is equal to 50 percent of your Final Average Salary, plus 1% for each year of creditable service in excess of 20 years.

The application process begins by filing an application for Disability

Retirement with an ERS Pension Representative.

The application review process requires information from your physicians and a release of health information related to your disability. The process also requires corroboration of your condition by at least two medical sources. The more complete the application and supporting information, the faster it can be evaluated, although the process may take six months or more.

It is the applicant's responsibility to arrange for all physicians' statements, hospital records, and other health information be forwarded to an ERS Pension Representative for processing.

Once the Pension Commission approves a member for a Disability Retirement, the member's retirement application cannot be withdrawn, canceled, or amended.

Approval for Workers' Compensation or Social Security Disability benefits has no bearing on your application for

an Ordinary Disability Retirement. However, if you are approved for Ordinary Disability Retirement benefits and receive a Workers' Compensation award, your Workers' Compensation award may be reduced by the amount of your Ordinary Disability Retirement benefit. If you have any questions concerning this issue, please contact the Office of Risk Management at **(201) 547-5034**.

Disability retirees are subject to an annual earnings test (see the Disability Retirement Benefits).

Work Connected Disability Retirement

Work Connected Disability Retirement is available to Tier 1 and Tier 2 members.

To qualify for a Work Connected Disability Retirement you must:

- ❖ Have an active ERS account. Active membership ceases after discontinuance of pension contributions for more than one year and separation from service.

Employees' Retirement System of Jersey City

- ❖ Be considered totally and permanently disabled (you must prove that you are physically or mentally incapacitated from performing your normal or assigned job duties or any other position your employer may assign) as a "direct result of a traumatic event" (see definition to follow);
- ❖ Be an active member of the ERS on the date of the traumatic event;
- ❖ File an Application for Disability Retirement through the Pension office within five years of the date of the traumatic event;
- ❖ Provide all accident reports, witness reports, and corroborating evidence on file for all accidents for which you are filing within six months;
- ❖ Be examined by physicians selected by the retirement system. The examination will

be scheduled at no cost to you by the Pension Office. All medical information is kept confidential and used only by the ERS Board of Trustees in reviewing your claim, (see page 25 for an explanation regarding the Disability Exam); and

- ❖ Be disabled at the time you separated from service as a result of a disability that renders you totally disabled.

If you are approved for a Work Connected Disability Retirement, your annual retirement allowance will be $66\frac{2}{3}$ percent of your final average salary at the time of the traumatic event.

"Direct Result of a Traumatic Event" has been defined by the courts as an occurrence that:

- ❖ Is identifiable as to time and place;
- ❖ Is undesigned and unexpected;

- ❖ Is caused by a circumstance external to the member (not the result of a pre-existing disease that is aggravated or accelerated by the work);
- ❖ Occurred during and as a result of a member's regular or assigned duties;
- ❖ Was not the result of the member's willful negligence; and
- ❖ Results in the member's permanent and total incapacitation from performing his or her usual or any other duty.

Note: When there is an issue of mental incapacity, the member must also establish that the event that forms the basis for a Work Connected Disability was objectively capable of causing a reasonable person in similar circumstances to suffer a disabling mental injury, based on a finding that the disability resulted from a "direct personal experience of a terrifying or horror-inducing event that involves

actual or threatened death or serious injury or a similarly serious threat to the physical integrity of the member or another person."

You may only file for one type of Disability Retirement, either Work Connected or Ordinary Disability. The application process begins by filing an Application for Disability Retirement with the Pension Office. The application review process requires information from your physicians, information from your employer with questions regarding the traumatic event, and a release of health information related to your disability. The more complete the application and supporting information, the faster it can be evaluated, although the process may take six months or more.

It is the applicant's responsibility to arrange for all physicians' statements, hospital records, and other health information to be sent to the Pension Office.

Once the Pension Board approves a member for a Disability Retirement

allowance, the member's retirement application cannot be withdrawn, canceled or amended.

Approval for Worker's Compensation or Social Security Disability benefits has no bearing on your application for a Work Connected Disability Retirement. However, if you receive periodic Worker's Compensation benefits while receiving a Work Connected Disability Retirement, the pension portion of your retirement allowance will be reduced dollar-for-dollar by the amount of the periodic benefits.

If you apply for a Work Connected disability Retirement and are found by the Pension Board to be totally and permanently disabled but not as a direct result of a traumatic event, you may be approved for an Ordinary Disability Retirement if you have the required service credit (see the "Ordinary Disability Requirements" section).

Note: If you have been terminated for cause, or have a settlement agreement which sets forth the terms

of your departure in lieu of the termination for cause, you and the City must provide that information to the Pension Office and the Pension Commission at the time you file for Disability Retirement. It must be shown that you have separated from employment as a result of the disabling condition. The Pension Office and Pension Commission will review each application for Disability Retirement to determine if it is eligible for processing. If it is determined that the reason for termination is not from the disability, you may be deemed ineligible to apply for a Disability Retirement.

RULES AND REGULATIONS
REGARDING SCHEDULING OF
INDEPENDENT MEDICAL EXAMS
(IME) WHEN PROCESSING DISABILITY
PENSION APPLICATIONS

1. The Pension Office will schedule a medical examination for the purpose of providing information to the Pension Commission to make a determination about a disability retirement application. The Initial Independent Medical Exams (IME)

scheduled by the Pension Office will be provided at no cost to the applicant.

2. If the applicant fails to attend and fails to properly cancel and reschedule the initial IME arranged by the Pension Office, the applicant will be required to pay for any subsequent medical examinations arranged by the Pension Office. The payment will be required before the IME exam can be rescheduled.

3. Failure to provide payment for the rescheduled IME within (90) days of the missed appointment date will result in dismissal of the disability retirement application.

4. The member will be responsible to pay the IME's contractual rate for any subsequent IME required when additional medical documentation is submitted after the initial medical examination. The cost of review of subsequent medical reports must be paid by the member in accordance with section 3 above.

THE RETIREMENT PROCESS

The time frames in this section serve as a guide to help you understand the retirement process. Actual processing times, however, may vary and cannot begin until the Pension Office receives all the necessary information and forms from you.

3-4 Months before Retirement

When planning for a successful retirement, it is important to give yourself enough time to review your benefits and options. You should inquire about retirement at least four months before your retirement date.

Retirement Estimates -- Members within two years of retirement can:

- ❖ Obtain an Estimate of Retirement Benefits by emailing or contacting the Pension office by phone. You will be provided with a printable estimate of the retirement allowance available.

Retirement Applications -- It is your responsibility to file a retirement application with the Pension Office.

All retirements are effective on the first of a month. You can submit your retirement application no more than 3 to 4 months before your retirement date -- and as late as the last business day prior to your retirement date -- but 3 to 4 months advance filing is recommended. Under no circumstances can a retirement become effective prior to the date the application is received by the Pension Office.

- ❖ If you have not furnished proof of your age to the Pension Office, you must do so when applying for retirement (see the "Proof of Age" section for acceptable proofs of age). Send photocopies of any proof of age documents, as we cannot guarantee that original documents will be returned. Please also be sure to write the last four digits of your Social Security number on all documentation that you submit. Your retirement application will not be

processed until the Pension Office receives copies of birth date evidence.

- ❖ It is the applicant's responsibility to ensure that all required forms are submitted to the Pension Office within 30 days of the Pension's receipt of your retirement application. Otherwise, the retirement application will be canceled and you will need to submit another application for a future retirement date.

When your application is submitted to the Pension Office, you will receive an email confirmation of its receipt. You will also be sent a letter acknowledging receipt of your retirement application.

Approximately 1 Month before Retirement

Board Approval -- Your retirement will be presented to the ERS Pension Commission for approval.

- ❖ Once approved, you will receive a letter from the Pension manager approving your retirement.
- ❖ You may choose to cancel your retirement within 30 days of your retirement date or Board approval date (whichever is later). This request must be in writing to the Pension Office. Canceling your retirement does not guarantee continued employment with your employer.

Note: Members who are approved for Disability Retirement cannot cancel their retirement or change their date of retirement.

Unsatisfied Balances

Loans -- If you retire with an outstanding loan balance, you may:

- ❖ Pay the loan in full prior to receiving any retirement benefits; or

- ❖ Continue your monthly loan repayment schedule, plus interest, into retirement.

Purchase Arrears -- When you apply for a purchase of service credit, the Pension assumes that the obligation will be paid before your retirement. Therefore, your account is credited with the full amount of service you have agreed to purchase. If this obligation has not been fully paid when you retire, your Quotation of Retirement Benefits will state the balance of your arrears (purchase) as of your retirement date. At that time, you must pay the balance of your arrears.

If you do not pay off the balance, the service credit which has not been paid for will be subtracted from your total years and months of service. This will reduce the amount of your retirement allowance and may possibly affect your eligibility to retire. Contact Pension as soon as possible to advise whether or not you wish to pay off the arrears balance in full.

After Your Retirement Date

Statement of Retirement Allowance -

You will receive a letter confirming your retirement. The letter will also supply figures needed in filing your income tax return. Keep this with your important papers.

Due and Payable - Your retirement becomes due and payable after there has been a break in employment without pay of at least 30 days following your retirement date, or 30 days following approval of your retirement by the ERS Pension Commission, whichever is later.

Once your retirement becomes due and payable, you cannot change your retirement date.

Retirement Checks -- Your first retirement check cannot be issued earlier than 30 days following your retirement date. If processing of your retirement is delayed, your first check will be retroactive to the date of your retirement.

Regular retirement checks are dated on the first of the month and are the allowance for the previous month. For example, if you retire on July 1st, your first retirement check would be due and payable on August 1st and is payment for the month of July.

Change of Address -- It is important that you inform the Pension Office of a Change of Address by calling (201) 547-5143 to receive a Change of Address Form.

After completion of Change of Address form, please mail it to:

ERS of Jersey City
280 Grove Street, Room 106
Jersey City, NJ 07302

Direct Deposit/Electronic Funds

Transfer (EFT) -- Direct deposit of retirement checks is mandatory (except for foreign mailing addresses). Direct deposit will prevent your retirement checks from being lost, stolen, or delayed in the mail.

You will sign up for direct deposit when completing retirement forms

for retirees during the application process. Retirees can change direct deposit, at any time, by completing a new form.

Please allow approximately 1 month for a new direct deposit, or changes to an existing direct deposit, to begin.

Withholding Federal and N.J. State Income Tax -- Pension will provide for the withholding of federal and New Jersey State income tax from your retirement check.

The default withholding status for federal income tax is "single" regardless of your actual marital status. The Pension Office is obligated to withhold federal income tax at this status unless you file a *Form W-4P* instructing us to change the withholding status or not to withhold tax.

New Jersey income tax withholding is voluntary, and none will be withheld unless you instruct us to do so. Please keep in mind that if you live outside New Jersey your retirement benefits are not subject to New Jersey

State income tax, but may be subject to state or local taxes in the jurisdiction in which you reside.

There is no provision for withholding any local or out-of-state taxes.

New retirees will automatically receive a federal *Form W-4P* and *Form NJ-W-4P* for withholding income tax. After that, you may obtain these forms by calling or writing the Pension Office.

Retirees can increase or decrease existing withholding amounts by filling out a new W-4P Form.

The Pension Office cannot provide tax advice. Questions about your federal income tax should be directed to the IRS at 1-800-TAX-1040. Questions about New Jersey income tax should be directed to the New Jersey Division of taxation at 1-800-323-4400.

Federal Income Tax after Retirement

Every January, the Pension Office issues each retiree an annual *Form 1099-R* reflecting the taxable retirement allowance paid during the preceding tax year. The degree to

which your pension is taxed, other than Work Connected Disability Retirement, depends on whether or not the payments you receive have been previously taxed. Employee contributions made prior to 1987 were made with after-tax dollars. That is, they were federally taxed prior to being made. Contributions for the purchase of service credit are also made with after-tax dollars unless funded by a rollover from another tax-deferred plan.

If you began contributing to the pension plan in 1987 or after, and you have not made a purchase of service credit, your entire pension is subject to federal income tax because your contributions have never been taxed.

If you contributed to the pension plan prior to 1987, or if you have made a purchase of service credit since 1987, your pension is immediately taxable based on the "expected return rule." Part of your retirement allowance comes from your own pension contributions that were already taxed, and the IRS allows you to recover these contributions tax-free.

This recovery is spread out over your expected lifetime or the combined lifetime of you and your beneficiary, according to the IRS life expectancy tables. This means that a small tax-exclusion amount of each monthly benefit is subject to federal income tax.

If you retired on a Work Connected Disability Retirement -- the Pension Office currently reports your benefit as exempt from federal income tax.

Ordinary Disability Retirement benefits are subject to federal tax to the same extent as other pensions.

Any federal tax questions should be referred to the IRS at 1-800-TAX-1040.

N.J. State Income Tax after

Retirement -- If you live in New Jersey, you will be subject to New Jersey State income tax when you have recovered in pension checks the amount of pension contributions you made to the retirement system while working. However, if you will not recover your total contributions

within three years of retirement, contact the New Jersey Division of Taxation at 1-800-323-4400, or visit their website at <http://www.nj.gov/treasury/taxation> to determine how your pension is taxed.

If you are receiving an Ordinary Disability or a Work Connected Disability Retirement allowance, your pension is exempt from New Jersey income tax if you are under age 65. When you reach age 65, your disability pension is treated as a regular pension and is considered taxable for New Jersey income tax.

Cost of Living Adjustment -- N.J.S.A. 43:13-22.73, allows for the Calculation of Cost-of-Living Adjustments (COLA) as follows, a retiree or beneficiary who has been in receipt of a pension or survivorship benefit for at least two years will receive a percentage adjustment of his initial pension or survivorship benefit at the beginning of each year starting with the year 1990, or the beginning of his 25th month in receipt of a pension or survivorship benefit, if

later, equal to 50% of the per centum of change in the Department of Labor's Consumer Price Index (CPI) from the annual average index in 1988 or year his benefits began, if later, to the date of adjustment.

ERS PENSION AND SOCIAL SECURITY

ERS members do not contribute to Social Security through their ERS employment. If you are eligible for both an ERS pension and a Social Security benefit, your ERS pension will never be reduced due to Social Security. However, two federal reductions may apply to your social security benefit leaving you with a reduced Social Security benefit or possibly no benefit at all. These federal reductions, the Windfall Elimination Provision and the Government Pension Offset only affect your Social Security benefit.

Windfall Elimination Provision (WEP)

– WEP applies to ERS retirees who also receive a Social Security earned benefit. A Social Security earned benefit is paid to a worker who earned enough credits under Social

Security-covered employment to qualify for a benefit. WEP reduces the earned Social Security benefit using a formula that is based on earnings and payroll tax contributions to the Social Security system. For more information, view Social Security's Windfall Elimination Provision online fact sheet @ www.ssa.gov/pubs/EN-05-10045.pdf

Government Pension Offset (GPO) – GPO applies to ERS retirees who also receive a Social Security spousal or widow(er) benefit. The GPO reduces the spousal Social Security benefit by two-thirds of the ERS benefit and may completely eliminate the Social Security benefit. For more information, view Social Security's Government Pension Offset online fact sheet @ www.ssa.gov/pubs/EN-05-10007.pdf

Note: Only the Social Security Administration has access to Social Security benefit records. The information contained in those records is crucial to getting an accurate determination as to how WEP and/or GPO may affect ERS

retirees' Social Security benefits. Social Security determines the reduction to an individual's benefit, so it is important that you direct these questions to Social Security and not ERS.

REDUCTION OR SUSPENSION OF YOUR BENEFITS

Normally, you will receive retirement benefits as long as you live. Your benefits, however, could be reduced or suspended if:

- ❖ You receive salary from your employer for service rendered after your date of retirement.
- ❖ You waive your right to a portion or any pension to which you are entitled.
- ❖ As a Work Connected Disability retiree, you receive periodic Workers' Compensation benefits after your retirement date.
- ❖ As a Disability retiree, you fail to appear for a periodic

medical re-examination when requested to do so.

- ❖ As a Disability retiree, you fail to file your annual Statement of Earnings if requested.
- ❖ As a Disability retiree, your employment income exceeds the amount allowable by law. The Pension Office monitors the earnings history of retired members. If any discrepancies are found, excess retirement benefits must be repaid to the ERS.
- ❖ An accounting error is made and the ERS must be repaid.

Your pension is normally exempt from any liens against it. Exceptions are tax liens imposed by the IRS and court orders for child support, alimony, or equitable distribution.

A court order is effective only when you withdraw your funds or when you begin to receive monthly retirement payments. It is the responsibility of the member to be certain that the Pension Office is provided with copies

of all court orders in order to comply with them.

**Divorce or Dissolution of Marriage/
Civil Union/Domestic Partnership**

The retirement system will implement matrimonial/civil union/domestic partnership dissolution court orders granting alimony, child support, or equitable distribution.

Matrimonial/partnership dissolution orders regarding your withdrawal from the retirement system will take effect if you voluntarily apply to withdraw your ERS account (see the "Withdrawal from the Retirement System" section).

Matrimonial/partnership dissolution orders regarding your retirement will not take effect until you retire and begin receiving a monthly retirement allowance. The court order can designate a specific dollar amount or percentage, or a percentage based on the number of years of pensionable service you accrued during the marriage/civil union, to be withheld from your retirement allowance. The

amount withheld is sent directly from ERS to your former spouse/partner unless the order specifies another payee (i.e., a probation department).

Any court-ordered withholding paid to your former spouse/partner from your retirement allowance will terminate upon your death or the death of the former spouse/partner.

While the Employees Retirement System of Jersey City (ERS) is exempt from the Employee Retirement Income Security Act of 1974 (ERISA), ERS will attempt to follow the provisions of ERISA as related to the Retirement Equity Act of 1985 (REACT), provided such mandates do not violate applicable New Jersey laws or administrative rules. Although your pension is normally exempt from any liens, ERS will honor court orders for child support, alimony or equitable distribution in cases of divorce or dissolution of a civil union.

A Domestic Relations Order (DRO) is a court order, separate and apart from a Judgment of Divorce. A DRO provides for the equitable distribution

of pension and related benefits upon the dissolution of a marriage or civil union. A DRO that has been reviewed and approved by the ERS and signed by a judge is then deemed a Qualified Domestic Relations Order (QDRO).

The language within the acceptable QDRO must clearly impose an obligation upon the ERS to withhold a portion of a participant/member's retirement benefits for payment to an alternate payee. The description of the participant and the alternate payee must be clear and specific, i.e. full names as opposed to references to "spouse," "former spouse," etc.

If you have any further questions about the QDRO process or would like a copy of QDRO procedures, please contact the Pension Office at (201) 547-5143.

Misconduct

The receipt of retirement benefits is expressly conditioned upon the rendering of honorable service by a public officer or employee. In accordance with N.J.S.A. 43:1-3 et seq. your benefits may be reduced or forfeited if you are convicted of a crime in any way related to your employment, or if you are suspended or dismissed from your employment.

New Jersey law further provides that a retired member is not eligible to collect retirement benefits if the retiree is confined in a penal institution as a result of a conviction of a crime involving moral turpitude. The law provides that an eligible dependent may continue to collect a retirement benefit if they can prove to the satisfaction of the Pension commission that they rely on the retiree's benefits for their maintenance. N.J.S.A 43:1-2.

DEATH BENEFIT

If a Death Benefit is approved by the ERS Pension Commission, your widow, widower or civil union partner, (see definitions to follow) is paid an annual pension of 50 percent of your Final Pension Amount. Final Pension Amount is based on the last year (12 months) before your death. This benefit is a lifetime benefit to your widow, widower, or civil union partner unless he or she remarries or enters into a new civil union partnership.

If there is no eligible widow, widower, or partner, or if the widow, widower, or partner remarries or enters a new civil union or domestic partnership, a pension is paid to your eligible children in these amounts:

- ❖ 50 percent of Final Salary to three or more eligible children, shared equally;
- ❖ 35 percent of Final Salary to two eligible children, shared equally; or
- ❖ 20 percent of Final Salary to one eligible child.

If there is no eligible widow, widower, partner, or children, a pension will be paid to your eligible dependent parent(s) in these amounts:

- ❖ 25 percent of Final Salary to one eligible parent; or
- ❖ 40 percent of Final Salary to two eligible parents.

Your eligible beneficiaries for a Death Benefit are:

- ❖ **Widow or Widower** -- A person to whom you were married 5 years prior to retirement and to whom you continued to be married until the date of your 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 you were partnered in a civil union at least 5 years prior to retirement until the date of your death. 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.

- ❖ **Child(ren)**, which means your unmarried child(ren) under the age of 18; or
- ❖ **Dependent Parent** who is solely dependent upon the member for support as determined by the Pension Commission.

RETIREMENT CHECKLIST

When planning for retirement, it is important to give yourself enough time to review your benefits and options. The time frames in this checklist are a guide; however, actual processing times vary and cannot begin until Pension receives all the necessary information and forms from you.

3 TO 4 MONTHS BEFORE RETIREMENT

- ✓ Obtain a Retirement Estimate -- Members within two years of retirement can obtain an estimate of retirement benefits by contacting the Pension Office.
- ✓ You must apply for retirement through the Division of Pension. You can contact the Division of Pension to schedule an appointment to complete retirement forms.
- ✓ All members must provide proof of age prior to retirement. Acceptable proofs of age include:
 - ❖ Birth certificate - with visible seal

- ❖ Passport;
- ❖ A U.S. Passport Card;
- ❖ A current digital New Jersey driver's license or digital Non-driver ID card issued by the N.J. Motor Vehicle Commission;
- ❖ A current digital Pennsylvania or New York driver's license; and
- ❖ Naturalization or immigration papers.

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

If your proof of age is not already on file with Pension, you should mail a *photocopy* of your birth certificate, or other proof of age document, to the Pension Office.

Please also include your name, or last four digits of your Social Security number, retirement date, and daytime telephone number on the photocopy.

Note: Your retirement *will not be processed until the Pension Office receives the required copies of birth date evidence.*

It is the applicant's responsibility to ensure that all forms are submitted within 90 days of the Pension Offices receipt of your retirement application. Otherwise, your retirement will be canceled and you will need to submit another application for a future retirement date.

WITHDRAWALS

OVERVIEW

When Membership Ends

Your active membership in the ERS ends 30 days after your retirement date or 30 days after the approval of your retirement by the ERS Pension Board, whichever is later; or if:

- ❖ You die;
 - ❖ You are dismissed from employment.
 - ❖ You end your employment and withdraw your contributions from the ERS; or
 - ❖ You have not been contributing to the retirement system for more than one (1) consecutive year.
- If you have less than 10 years of ERS service credit, one year is the limit for inactive membership before an ERS account expires.

- If you have 10 years or more of ERS service credit, your ERS account is vested. However, one year remains the limit for inactive membership. If you return to ERS-covered employment after one year without a pension contribution, you will be re-enrolled in a new ERS account under the membership tier in effect at the time that you return. However you will retain your accrued ERS pension service credit.

Terminating Employment

If you terminate employment before you are eligible to retire, your options regarding your ERS account vary depending on your vesting status at the time of your termination (see the "Vesting" section).

If you are vested when you terminate employment, you can apply for a Deferred Retirement (see the

"Deferred Retirement" section). If you are not vested before you terminate employment, you will not be eligible to receive a monthly retirement benefit before your account expires.

If you terminate employment before vesting, you can choose to:

- ❖ Make an immediate withdrawal of your contributions

As a general rule if you do not resume active membership within one year your account will automatically expire and you will be requested to withdraw your contributions.

If your account expires or you elect to voluntarily withdraw your personal contributions, all service credit under this membership is canceled. If you later return to ERS-covered employment, you may be eligible at that time to purchase the service (see the "Purchasing Service Credit" section) and have it credited to your new account.

Please note: The obligation to refund Contributions made to the ERS Pension System shall not apply to an employee suspended or discharged for cause which bars him/her from eligibility to reappointment under civil service rules. N.J.S.A. 43:13-22.5

Expired Accounts

If more than one year has passed and the ERS has been unable to contact you -- or you do not reply to the *Expiration Notice* by submitting an *Application for Withdrawal* -- your account will expire.

Should you return to covered employment before the one-year period ends, you have the option for reinstatement.

Should you return to covered employment after your account has expired or you have withdrawn your account, you will be treated as a new member in all respects. Service credit from a former membership may be purchased by members returning to the retirement system after you

complete the withdrawal of money from a former account.

WITHDRAWING CONTRIBUTIONS

If you terminate covered ERS employment before retirement, you may withdraw all of your contributions, less any outstanding loan balance or other obligations. You may withdraw only the money you have contributed and partial withdrawals are not permitted. Upon your withdrawal, all rights and privileges of membership end.

Since the employer/employee relationship must be severed, no withdrawal will be paid if there are unresolved legal matters concerning your termination of employment.

All withdrawal requests must be submitted by mail.

In accordance with federal law, income tax must be withheld on certain pension distributions that produce an annual taxable income of \$200 or more, unless the taxable amount is directly rolled over into an Individual Retirement Account (IRA)

or a new employer's retirement plan (if applicable). To qualify, this direct rollover must occur within 60 days of the withdrawal check date. If payment is made directly to you, the taxable portion is subject to 20 percent federal income tax withholding. In addition, if you receive payment before you reach age 59^{1/2} and you do not roll over the taxable amount, you may have to pay an extra tax equal to 10 percent of the taxable portion of any payment. If you have any questions concerning this federal law, call the IRS at 1-800-829-1040.

You may contact a Pension representative at (201) 547-5143 for general information concerning withdrawals or information pertaining to your particular withdrawal claim.

No withdrawal application can be processed until all the necessary information has been received from you.

WORKERS' COMPENSATION

As long as you are receiving Workers' Compensation benefits (either temporary or permanent), you retain the same status as an active member. You cannot withdraw from the ERS while you are receiving Workers' Compensation, have a claim pending, or are involved in litigation regarding Workers' Compensation, unless the employer/employee relationship is severed.

Your employer is obligated by statute to pay your pension contribution based on the full salary you were receiving immediately before you started receiving Workers' Compensation benefits, even if the total compensation you receive is less than 100 percent of your full salary.

Your employer is not obligated to make voluntary contributions such as loan or purchase arrears payments. However, as the employee, you must continue to make these contributions, or the balances may be deemed as distributions.

The employer's obligation to make pension contributions for members receiving Worker's Compensation ceases when:

- ❖ The employee voluntarily files for a retirement allowance that is subsequently approved;
- ❖ The employee voluntarily resigns from employment for reasons other than the inability to perform the job functions due to the incident that was the basis for the

Workers' Compensation claim; or

- ❖ The employee is terminated by the employer for reasons unrelated to a Workers' Compensation award.

If you are approved for Ordinary Disability Retirement benefits and receive a Workers' Compensation award, your Workers' Compensation award may be reduced by the amount of your Ordinary Disability Retirement benefit.

If you are approved for Work Connected Disability Retirement benefits and receive periodic Workers' Compensation benefits, the pension portion of your retirement allowance will be reduced dollar-for-dollar by the amount of the periodic benefits.