

Teachers' Retirement in



New Jersey



974.90
P418
1987a
copy!

DEBOSILOVA COBY
DO NOT REMOVE FROM LIBRARY

NEW JERSEY STATE LIBRARY

NEW JERSEY DIVISION OF PENSIONS

TEACHERS' PENSION AND ANNUITY FUND

as of January 1, 1987

TABLE OF CONTENTS

ABOUT THIS BOOK

This is a summary plan description which tells you about the responsibilities and benefits of the Teachers' Pension and Annuity Fund. This booklet is intended for the use of the fund's active members.

Pensions is a complicated matter to explain, but we have tried to use plain language so that everyone can understand their retirement system. Any rules or questions of interpretation are subject to the governing statutes (in this case, Chapter 66 in Title 18A of the New Jersey statutes). You can also refer to the *New Jersey Public Employees' Benefit Manual*, published every year. It is available at your agency's Personnel or Financial Office or the New Jersey State Library.

As current as this booklet is, benefits and provisions of the system are subject to changes by the legislature, courts and other officials.

If you have questions or comments, please contact:

Division of Pensions
20 West Front Street
CN 295

Trenton, New Jersey 08625

If you have specific questions you may write to the Division of Pensions. Be sure to include in your letter:

- your name
- present address
- pension and/or social security number
- your maiden name, if married, or your former name, if divorced
- current salary
- the name of the agency where you work.

This information will help us to serve you quickly and easily.

This booklet is prepared and distributed by the

NEW JERSEY DIVISION OF PENSIONS
20 West Front St.
CN 295

Trenton, New Jersey 08625
Telephone: (609) 292-3463
Douglas R. Forrester, Director

Introduction	2
Membership	2
How to Join the Retirement System	2
Proof of Age	3
Service Credit	3
How You Pay Into the Retirement System	3
Schedule of Rates	4
Prior Service Credit	5
Purchasing Service Credit	5
Cost of Purchasing Credit	7
Classes of Membership	8
Transfers	8
When Membership Ends	9
Withdrawing Contributions	10
Death Benefits	10
Supplemental Variable Annuity	16
Loans	16
Workers' Compensation	17
Retirement	18
Reductions and Suspensions	25
Cost of Living Adjustment	27
Social Security	27
Earnings After Retirement	27
Appeals	28
System Organization	29
Your Rights	30
Plan Information	32

NOTE: References following various sections refer to the New Jersey Statutes Annotated (N.J.S.A.) or the New Jersey Administrative Code (N.J.A.C.).

INTRODUCTION

The New Jersey Teachers' Pension and Annuity Fund is a 60-year old program that is one of the most financially secure in the United States. It is an "actuarial reserve system." This means that the amount which you and your employer contribute is based on factors like your age when you join the system. In this regard, it is like the way insurance companies figure out how much you pay for your life insurance. The money contributed is invested and held in reserve for retirees.

Each year you and the taxpayers of New Jersey contribute to the system. As a member of the system, you are provided with:

- a guaranteed retirement income for as long as you live based on your years of service credit and your final average salary.
- financial protection in case of disability or death.
- benefits in addition to social security.

(N.J.S.A. 18A:66-3, 16, 21, 26, 65, 66)

MEMBERSHIP

Certificated persons appointed as members of a regular teaching or professional staff of a public school system in New Jersey are *required* to enroll as a condition of employment. Employees of the Department of Education holding unclassified, professional and certificated titles are eligible for membership.

You cannot join the system if:

- you are temporary, seasonal or a substitute employee;
- you are a permanent substitute; or
- you are retired from another state-administered retirement system or receiving a pension from any other New Jersey or other state or local jurisdiction.

(N.J.S.A. 18A:66-4, 6.1);

(N.J.A.C. 17:1-4.2 to 4.4; 17:3-2.1 to 2.5)

HOW TO JOIN THE RETIREMENT SYSTEM

Your employer will give you an enrollment application. Complete this form and return it to your employer who will forward it to the Division of Pensions for processing. When the processing is complete, you and your employer will receive a certification of payroll deductions. Salary deductions will then begin.

IMPORTANT: KEEP THIS DOCUMENT IN A SAFE PLACE ALONG WITH OTHER RECORDS AND LETTERS FROM THE RETIREMENT SYSTEM.

(N.J.S.A. 18A:66-31)

PROOF OF AGE

When you are applying for membership in the retirement system, you will have to prove how old you are. The percentage of your salary that is paid into the system is determined by your age, as are death and retirement benefits. (See page 4.)

Acceptable evidence of your age includes:

- a birth or baptismal certificate;
- passport;
- naturalization or immigration papers; and
- certain other records.

(N.J.A.C. 17:3-1.11)

SERVICE CREDIT

You will receive the appropriate amount of credit for the amount of time you work for a public agency and contribute to the retirement system.

If you are employed and being reported to the system by more than one employer who participates in the retirement system, you are considered a "multiple" member. All of your salaries are recorded to your credit. However, in terms of time, no more than 12 months credit will be given for any calendar or fiscal year.

Also, multiple members cannot withdraw or begin to collect retirement benefits until they have retired from every job covered by the retirement system.

(N.J.S.A. 18A:66-19)

HOW YOU PAY INTO THE RETIREMENT SYSTEM

Every time you get paid, a percentage of your salary goes into the retirement system. The percentage you must pay depends on how old you are when you first enroll in the retirement system, or when you re-enroll, if for some reason your membership ends and then is reinstated.

Here is other important information:

- The money you pay into the retirement system is based on your base salary and is put into the system by your employer.

Base salary does not include overtime, bonuses, money you receive as an adjustment just before you retire, etc.

If you work on an hourly or fee basis, your employer will estimate an annual base salary.

- Once you have been assigned a contribution rate, it is usually not changed. Buying additional credit does not alter your rate.
- Your rate is determined by your nearest attained age, when you enroll. For example, if you are 25 years and 5 months of age, you would be considered 25 years old for rate purposes. If you are 25 years and 6 months of age, you would be considered 26 years old.

The following is a table of rates.

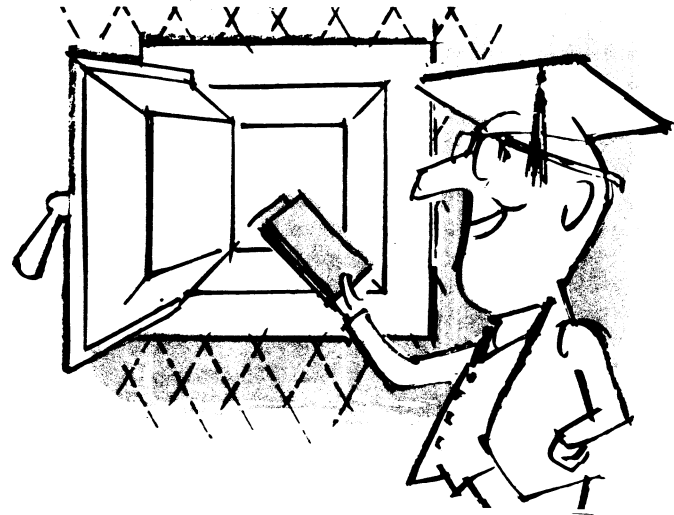
Entrance		Entrance	
Age	Rate	Age	Rate
18	5.05%	39	6.51%
19	5.07	40	6.63
20	5.10	41	6.72
21	5.14	42	6.83
22	5.12	43	6.93
23	5.08	44	7.05
24	5.07	45	7.18
25	5.10	46	7.23
26	5.15	47	7.38
27	5.21	48	7.48
28	5.29	49	7.67
29	5.39	50	7.73
30	5.49	51	7.86
31	5.61	52	7.97
32	5.72	53	8.13
33	5.84	54	8.31
34	5.97	55	8.40
35	6.08	56	8.59
36	6.17	57	8.67
37	6.29	58	9.00
38	6.42	59	9.09

All salary deductions such as contributions for pension, death benefits, social security, service credit purchase, repayment of loans, etc., should appear on your paycheck stub.

You have to pay into the social security system on money you earn below a certain amount set by the federal government. Because of this, your rate of contribution to the retirement system will be decreased by 2% until you reach that set amount. So, for example, if your full rate

were 5.21%, the actual amount of your contribution would be 3.21% of your base salary until you reach the social security maximum.

(N.J.S.A. 18A:66-2, 29, 30, 31, 67);
(N.J.A.C. 17:1-4.8; 17:3-4.2, 4.6, 4.12)



PRIOR SERVICE CREDIT (Paid for by the Employer)

Veterans will usually receive free credit for public employment rendered in New Jersey before 1955. Eligible employment presumes compensation of at least \$300 per year for free veterans' service prior to 1955.

(N.J.S.A. 18A:66-70)

PURCHASING SERVICE CREDIT

You may purchase credit in the retirement system *only* if you are an active, contributing member. (In no case can you receive more than one year of service credit during any 12 month calendar or fiscal year period.)

—**Out-of-state**—If you have worked for a public school district in another state, then you may be eligible to purchase credit for up to 10 years of comparable teaching service. You must not be receiving, nor be eligible to receive, a pension based on this service from the other state.

—**Former membership**—If you are a former member of a New Jersey State-administered retirement system, you may purchase credit for this time.

—**Substitute and temporary service**—

You may purchase all regular substitute or temporary teaching service *immediately preceding* your enrollment date in the retirement system. You must request it, *in writing, within the first 12 months after becoming a member.*

—**Leave of absence**—If you were on an official leave of absence without pay, you may purchase credit for that leave if it was less than three months. This includes maternity leave. Maternity leave credit, however, cannot include child care time.

—If a maternity leave extends beyond three months, a physician's certification verifying the disability of the member as a direct result of the pregnancy must be received *before* the expiration of the initial 3-month period. If the leave extends beyond three months for any reason other than the certified disability, the leave is considered "child care," not "maternity."

—You may purchase credit for a maximum of two years if the leave of absence was for personal illness.

—*All purchases of leave of absence must be requested within one year of your return to employment. If you do not purchase credit for a leave of absence, then your leave of absence constitutes a break in service and no credit is received.*

—**Military service before enrollment**—If you qualify as a veteran under the statutes governing membership, you can purchase credit for the time you were in the military service before you enrolled in the retirement system if the dates of your military service were during:

World War I—between April 6, 1917 and November 11, 1918;

World War II—between September 16, 1940 and September 2, 1945;

Korean Conflict—between June 23, 1950 and July 27, 1953;

Viet Nam Conflict—between December 31, 1960 and August 1, 1974.

You cannot purchase credit, however, if you have the right to receive retirement benefits based wholly or partially on your military service.

Be aware, though, if you buy credit for military service before enrollment, you must bear the entire cost.

—**Peacetime Military Service**—You can purchase credit for certain military service time rendered after December 3, 1974:

—if you were a member of a state-administered retirement system when you entered peacetime military service; and
—if you return to employment in a position covered by a state-retirement system when you are discharged from or otherwise end your military service; and

—if within one year following the date of return to employment or the date initial pension contributions are certified to begin, the member applies for or otherwise inquires about the purchase of such service.

—**Other Teaching Service**—If you have prior teaching service with a school operated outside the United States by a Department of the United States government for children of government officers and employees, you may purchase this service.

*(N.J.S.A. 18A:66-8, 9, 10, 13, 14, 15.1, 29);
(N.J.A.C. 17:1-4.33; 17:3-5.1 to 5.8)*

THE COST OF PURCHASING CREDIT

How much it will cost to purchase credit depends on your age and salary when you apply to buy it. If you are purchasing credit for military service rendered before enrollment in the retirement system, you must pay for the entire cost of this additional credit. The cost will increase as you get older and your salary increases.

If you buy credit, you can pay for it:

—immediately in a lump sum.

—by having an extra deduction taken out of your pay. (This extra deduction must be equal to at least one-half of your contribution at the full rate to the system over a maximum period of 10 years.)

If you retire before completing the purchase, you will receive credit based upon the amount paid or you can pay the balance due in a lump sum and get full credit.

Purchased service credit cannot be used to establish eligibility for ordinary disability retirement until you've satisfied some specific requirements.

IMPORTANT: Once payroll deductions begin, you cannot cancel your request for buying credit. Also, *once you buy the credit, you cannot revoke your request or exchange it for the purchase price.*

(N.J.S.A. 18A:8, 9, 13, 14, 15.1, 29);
(N.J.A.C. 17:1-4.11 to 4.13; 17:3-5.2 to 5.6)

CLASSES OF MEMBERSHIP

There are two classes of membership, A and B.

- Class A applies to some members enrolled before 1956;
- Class B applies to members enrolled after 1956. It offers one-sixth greater benefits.

NOTE TO CLASS A MEMBERS: Some Class A members chose to transfer all of their credit to Class B; some chose to transfer only part of their credit to Class B. Class A members can change to Class B credit for all of their service by agreeing to make additional contributions.

(N.J.S.A. 18A:66-5.6);
(N.J.A.C. 17:3-5.2, 5.6)

TRANSFERS

1. Intrafund—If you terminate your current position covered by the retirement system and take another position also covered by the same retirement system (*within two years*) you may apply for an intrafund transfer, provided that you did not withdraw your contributions. Of course, you will not receive any credit for the time you were not working. Be sure your new employer files a transfer application.
2. Interfund—If you terminate your current position and take a position that is covered by another New Jersey State-administered system, and you qualify for enrollment, you can ask that your credits from the previous system be transferred to the new one provided that you did not withdraw your contributions. The time to make your request is when you enroll in the new system.

This kind of transfer means that the reserves you have built up will go to the

new system. If your reserves are not enough to cover the benefits of the new system which you are a member of, then public employers make up the difference. Your rate of contribution in the new system will be based on your age at the time you were enrolled in the previous retirement system. Of course, if there is a period of time between positions when you are not working and contributing, you will not get credit for that time. Be aware that a transfer is *only* possible if you take the new position and qualify for enrollment, *within two years* of leaving another system.

(N.J.S.A. 18A:66-15.1);
(N.J.A.C. 17:1-4.6, 12.5; 17:3-7.1)

WHEN MEMBERSHIP IN THE RETIREMENT SYSTEM ENDS

Your active membership in the retirement system ends if:

- you retire or die;
- you end your employment and withdraw your contributions from the system; or
- you have not been contributing to the system for two years or more and have less than 10 years of service credit in the system.

EXCEPTIONS

Your membership will not end if;

- you are on an official leave of absence;
- you are laid off; or
- your position is abolished.

In these cases you can request, in writing, for an extension of membership in the system, up to 5 years, until your leave of absence ends or until you return to covered employment.

If you stop working for a public employer and stop making contributions to the retirement system and have less than 10 years of service credit in the system, your contributions to the system will stay there until you file a withdrawal application and it is processed. Two years after you stop working and making contributions, if you have not collected your money, the Division of Pensions will send a notice to your last known mailing address with a copy to your last employer (in case the employer has a better address), to remind you that your money is still in

the system. You can then file for withdrawal. Contributions not withdrawn after two years accrue no interest.

Should you return to covered employment before two years are up, your membership may be reactivated at the same rate as before. If you return to membership after two years, you must be enrolled in the system and assigned a higher rate of contribution based on your current age. You will have the opportunity, though, to purchase credit for the previous membership, but it also will be at a higher rate. (See page 5).

(N.J.S.A. 18A:66-7, 8, 34);

(N.J.A.C. 17:3-4.11)

WITHDRAWING CONTRIBUTIONS

If you should terminate your job before you retire, you can get a refund of your pension contributions, plus a small amount of interest, less any outstanding loan or other obligations. You do not get any interest if you have been a member of the retirement system for less than three years. You may only withdraw the money you contributed. *When you withdraw from the system, all rights, privileges and benefits end.*

If you withdraw and are eligible for benefits, (age 60 or older or with 10 years of service credit), you must waive your rights, in writing, to any retirement or death benefits. This waiver will include the specific amounts of the retirement payments and death benefits that you would have received if you had retired, so you know what you are giving up.

A withdrawal application *cannot* be processed until all the information has been received from you and your employer.

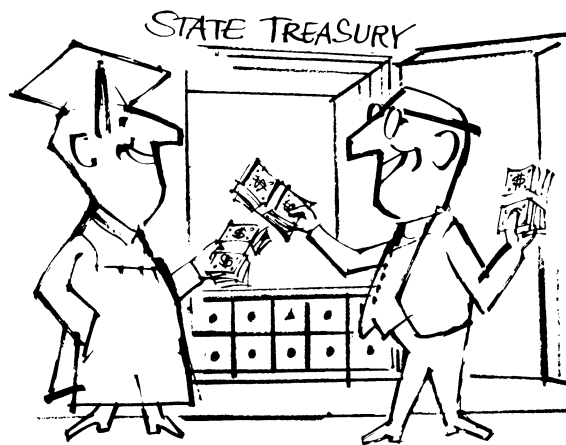
(N.J.S.A. 18A:66-34);

(N.J.A.C. 17:1-4.14, 4.15; 17:3-4.10, 4.11)

DEATH BENEFITS

There are two basic benefits received from the retirement system: retirement benefits and death benefits. This section is about death benefits. There are two ways you receive death benefits in this system.

- a. Non-Contributory Insurance—If you work for a public employer and are a member of the retirement system, you are provided with life insurance at no cost to you (the “noncontributory plan”).
- b. Contributory Insurance—This is insurance for which you pay. The law requires



that you must contribute to the contributory plan during your first 12 months of membership. After that 12-month period, you may cancel this coverage by filing the appropriate withdrawal form. But, *once cancelled, your coverage cannot be reinstated.* The cost of this insurance is 4/10 of 1 percent of your salary.

There are a few people who because of their age or other factors at the time of enrollment, must pass a medical exam in order to be covered by insurance. If it is required, the insurance carrier will notify you.

REMEMBER: ONCE YOU WITHDRAW FROM THE CONTRIBUTORY PLAN, YOU CANNOT REENTER IT.

(N.J.S.A. 18A:66-38, 38.1, 53, 53.1, 53.3);

(N.J.A.C. 17:1-4.7; 17:3-3.1, 3.4, 3.5, 3.8, 3.9, 4.13)

WHAT THE DEATH BENEFIT PAYS

The amount of your death benefits (paid to your beneficiaries) depends on three things:

- your salary;
- your age; and
- your membership status at the time of death.

The definition of salary in these charts is the total base salary upon which your pension contributions were based in the last year (10 or 12 months) of service.

Both noncontributory and contributory plans are covered by policies issued by the insurance company. You will receive an individual certificate. Keep it with your other important papers.

COVERAGE FOR ACTIVE MEMBERS

Age at Death	Members under noncontributory plan only	Members under both noncontributory and contributory plans
	Any age	1½ times salary

COVERAGE FOR RETIRED MEMBERS

Type of Retirement	Members under noncontributory plan only	
	Death before Age 60	Death at Age 60 or older
Disability	1½ times salary	3/16 times salary
Early	3/16 times salary*	3/16 times salary*
Deferred	None	3/16 times salary*
Service	Not Applicable	3/16 times salary*

Type of Retirement	Members under both noncontributory and contributory plans	
	Death before Age 60	Death at Age 60 or older
Disability	1¾ times salary	7/16 times salary
Early	7/16 times salary*	7/16 times salary*
Deferred	None	7/16 times salary*
Service	Not Applicable	7/16 times salary*

*If you were enrolled on or after July 1, 1971, the contributory and noncontributory benefits are payable only if you have 10 or more years of service at retirement. This does not apply to disability retirees.

(N.J.S.A. 18A:66-36, 40, 41, 42, 44, 46, 53, 74 to 78);
(N.J.A.C. 17:1-1.20, 4.19, 4.27; 17:3-3.3)

CONDITIONS

Leave of Absence

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

- up to two years while on official leave of absence for personal illness. In this case, contributions *are not* necessary to continue coverage of the contributory plan.
- up to one year in order to fulfill a residency requirement for an advanced degree or as a full-time student at an institution of higher education. In this case, contributions *are* necessary to continue coverage in the contributory plan.
- up to 93 days while on official leave for personal reasons. In this case, contribu-

tions *are* necessary to continue coverage in the contributory plan.

Conversion

If you terminate your employment before retirement, or your insured period during an absence expires, you will continue to be protected for the next 31 days. During the 31-day period you may convert your group life insurance, without a medical examination, to an individual policy issued by the insurance carrier. You may select any type of individual policy customarily issued by the insurance company except term life insurance or a policy containing disability benefits. The individual policy will be effective at the end of the 31-day period. The premiums will be the same as you would ordinarily pay if you applied for an individual policy at that time. A request for an individual policy should be submitted directly to your nearest insurance carrier office together with your group life insurance certificate.

If you return to public employment after having converted your life insurance to an individual policy, and your individual policy is still in force when you again become a member, you will be required to discontinue your individual policy or submit satisfactory evidence of insurability before you may again be insured under the group policy.

For further information, contact the Division of Pensions or your personnel office and request a "Conversion Notice."

Disability claims

Your life insurance coverage will continue while your disability retirement benefits are being processed, provided the claim was filed within 30 days of ending your service. You do not need to make contributions to the contributory plan while your benefits are being processed.

(N.J.S.A. 18A:66-38, 79);
(N.J.A.C. 17:1-4.33; 17:3-3.3, 3.6, 3.10, 3.11)

DEATH BENEFIT COVERAGE WHILE RECEIVING WORKERS' COMPENSATION

If you are disabled due to illness or injury that came about because of job, you can still continue your life insurance under the following conditions:

- you must not be working;
- you cannot be retired;

Parent—Parent means your parent(s) who was receiving at least one half of his or her support from you in the 12 month period immediately preceding your death, or the accident which was the direct cause of your death. If your parent remarries after your death, benefits cease.

Final salary—Final salary is the total base salary that your pension contributions were based on in the last year (10 or 12 months) before death.

(N.J.S.A. 18A:66-2, 46);
(N.J.A.C. 17:3-1.10, 3.7, 6.5)

CHOOSING A BENEFICIARY

When you enroll in the retirement system, you must name beneficiaries who individually or jointly will share any benefits should you die before retirement. You may name any person, organization or estate or trust as your beneficiary. Prior to retiring, you may change your beneficiary at any time. You should be sure to make a change if your designated beneficiary dies. You may want to make a change if your marital status changes.

Benefits are payable either in a lump sum or in monthly annuity payments unless your beneficiary is an estate or trust, in which case the benefits must be paid in a lump sum.

When you retire, there are some options open to you about the way in which your benefits will be paid to you before your death, and to your beneficiaries after your death.

(N.J.S.A. 18A:66-47.53.1, 80);
(N.J.A.C. 17:1-4.9; 17:3-3.12)

SUPPLEMENTAL VARIABLE ANNUITY DEFERRED COMPENSATION AND TAX SHELTERED ANNUITIES

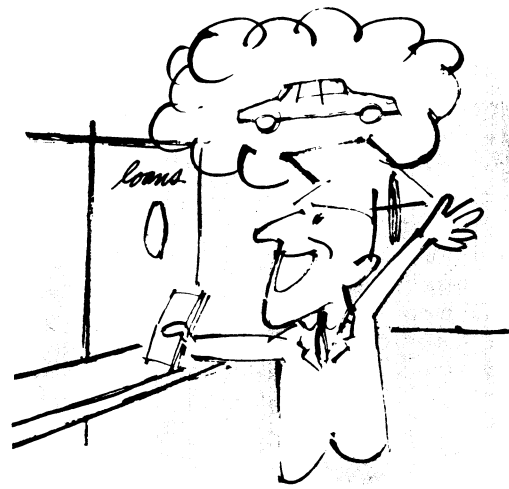
These programs are ways to save extra money for your retirement. To find out about these programs, including the tax sheltered and tax deferred options, contact the Division of Pensions.

(N.J.S.A. 52:18A-107 to 124);
(N.J.A.C. 17:8)

LOANS

You can get a loan from the retirement system if you meet the following conditions:

- You must have *at least* 3 years of contributing membership credited and *post-*



ed to your account. (In reality, this means *at least* 39 months of service).

- You cannot obtain more than two loans in any calendar year;
- You must be actively contributing when the application for a loan is filed.

Loans are payable at 4% interest and should be repaid prior to retirement. However, if you retire before paying off the loan, an amount equal to the outstanding balance on the loan with interest will be held back from your retirement benefit, or you may pay it off in a lump sum. If you should die before the loan is repaid, the balance is repaid from proceeds that would have gone to your beneficiary.

You may borrow amounts from \$50 up to one-half of your accumulated contributions posted to your account. The minimum repayment must be at least equal to your pension contribution at the full rate. The maximum repayment is 25 percent of your salary.

(N.J.S.A. 18A:66-35, 35.1);
(N.J.A.C. 17:3-4.4, 4.9)

WORKER'S COMPENSATION

If you are awarded disability benefits under workers' compensation, you retain the same status as an active member as long as you are getting workers' compensation and your employer does not submit an involuntary application for your retirement or terminate your employment. Recent court cases have held that an employer may submit an involuntary disability retirement application on your behalf, even if

you are receiving workers' compensation, if it is reasonable to assume that your disability will last for a long time and you will not be returning to your job. Your employer may pay your regular pension contributions while you are receiving workers' compensation if no disability retirement application has been filed or you have not been terminated.

In addition, you may not withdraw if there are pending legal proceedings due to a termination of employment.

If you have any further questions, please contact the Division of Pensions.

(N.J.S.A. 18A:66-32.1)

RETIRING

At least *six months* before you plan to retire, you should ask about what is involved in retiring so that you can review your benefits and options. You can receive an estimate of your benefits from the Division of Pensions, upon request.

IMPORTANT: Processing time varies so it's best to file your retirement application several months in advance. Also, retirement is not automatic. **YOU MUST FILE A RETIREMENT APPLICATION.** Your retirement cannot begin until your application is received by the retirement system.

If you have not already established proof of your age with the retirement system, you will have to do so before your application can be processed.

Retirement begins on the first day of a month. Your monthly retirement allowances are paid after the end of a month and no benefit is paid unless it is a payment for an entire month. For example, if you retire on August 1, assuming that all processing has been completed, the *earliest* your first payment could arrive would be September 1. If there are some delays in processing or collecting information, payment may be later, although payment is retroactive to your retirement date.

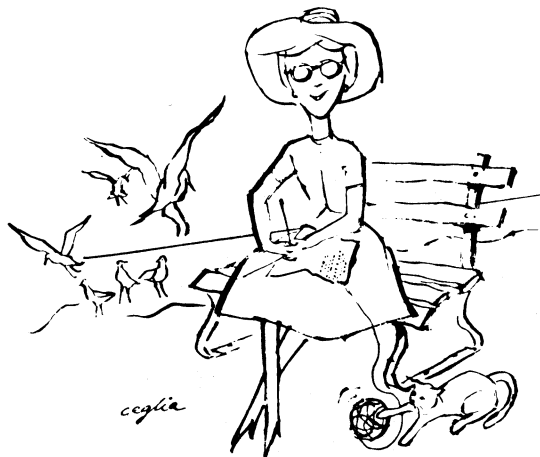
If you die within 30 days after the board of trustees approves your retirement, certain options are available to your beneficiaries. They should contact the Division of Pensions to find out about these options.

If you are receiving workers' compensation, any disability retirement benefit will be adjusted accordingly.

After your retirement has been approved, you

may transfer your coverage by New Jersey Blue Cross, Blue Shield, or Green Cross public employee group plans, or the New Jersey State Health Benefits program to the Pension Division's pensioners' groups at group rates. Forms are provided by the Pension Division.

(N.J.S.A. 18A:66-32.1, 43, 47, 48, 54, 69);
(N.J.A.C. 17:1-1.7, 1.19, 1.24, 4.16, 4.24, 4.28, 4.32;
17:3-6.1, 6.2, 6.6, 6.17)



RETIREMENT FORMS

When you apply for retirement, you must use forms supplied by the retirement system available in your personnel office from the Division of Pensions, Office of Client Relations.

INCOME TAX

After you retire, the system annually provides a W-2P form showing information needed for federal and state income tax purposes. Usually, withholding of federal income taxes is required by federal law, unless you request otherwise. Please note that the Division of Pensions *cannot* provide tax advice. Tax information is provided by the New Jersey Division of Taxation and/or the Internal Revenue Service.

RETIREMENT BENEFITS

I. Service retirement

You can retire on a service retirement allowance at age 60 with no minimum service requirement. There is a formula for establishing retirement benefits that you can use to estimate what

you will receive. Of course, the retirement system will automatically calculate your actual benefits. Here is the formula:

$$\frac{\text{Class A: Years of Service}}{70} \times \text{Final Average Salary}$$

$$\frac{\text{Class B: Years of Service}}{60} \times \text{Final Average Salary}$$

“Years of Service” means your years of service credited in the retirement system. You receive credit toward retirement for any monthly or biweekly pay period in which a full normal deduction is received by the system.

“Salary” means your base salary. It does not include any extra pay for overtime or money granted in anticipation of your retirement.

“Final Average Salary” means your average salary for the last three years of salary as an active member or your three highest fiscal years.

There are some exceptions to these general provisions for veterans and other groups.

(N.J.S.A. 18A:66-2, 15, 43, 44, 71);

(N.J.A.C. 17:1-1.20, 4.18, 4.19, 4.27, 4.31, 4.34; 17:3-1.12, 4.1, 4.3, 6.12, 6.20, 6.21, 6.23, 6.24, 6.26, 6.27)

II. Early retirement

If you have established 25 years or more of creditable service before age 60, you may elect to retire regardless of your age. If you retire between ages 55 and 60, you will receive a full retirement allowance based on the service retirement formula. If you retire before you are 55, your allowance is a percentage of a full allowance based on a reduction of 1/4 of 1 percent for each month under age 55.

Here are examples of the percentage of full retirement you would get if you retire early.

Age	Reduction Factor	Age	Reduction Factor
54	.97	50	.85
53	.94	49	.82
52	.91	48	.79
51	.88	47	.76

(N.J.S.A. 18A:66-37);
(N.J.A.C. 17:3-6.11)

III. Deferred retirement

If you have established at least 10 years of creditable service in the retirement system, but you are not yet 60 years old, you are eligible for

a deferred retirement. Deferred retirement means that you discontinue employment but leave your contributions in the system.

At age 60, you will receive a full retirement allowance based on the service retirement formula. Your death benefit coverage is *not* in effect between the time you leave actual employment and reach the time your retirement is *due and payable*. Your death benefit coverage will be reinstated 30 days after your effective date of retirement or the date the board of trustees approved your retirement, whichever is later.

Additionally, you *cannot* transfer your State Health Benefits coverage to the retired group when you choose deferred retirement.

At any time before age 60, you may cancel your right to a deferred retirement and withdraw your contributions. If you cancel, however, you waive your right to any retirement benefits. If you die before you reach age 60, your contributions can be recovered by your beneficiary or estate. There is no other death benefit.

(N.J.S.A. 18A:66-36);

(N.J.A.C. 17:3-2.7, 4.10)

IV. Disability retirement benefits

A. Ordinary Disability—To qualify for ordinary disability retirement, you must

- be under age 60 and have 10 years or more of credited service;
- be considered totally and permanently disabled; and
- be examined by doctors selected by the retirement system.

You can apply for ordinary disability by filing forms available from the Disability Review Section. Your employer also has the right to apply for disability for you. In any case, you should allow at least four to six months for processing.

There is a specific formula for calculating disability retirement. You are guaranteed a certain percentage of your final average salary. Most people who go on disability retirement get about 90% of what they would have received under service retirement, but this may not apply to every case. These benefits are payable as long as you remain disabled.

(N.J.S.A. 18A:66-41);

(N.J.A.C. 17:1-4.29; 17:3-6.10)

B. Accidental Disability—To qualify for accidental disability, you must

- be under age 65;



- have been enrolled in the retirement system on or before the date of the *traumatic event*;
- be considered totally and permanently disabled as a direct result of a *traumatic event* that happened during and as a direct result of carrying out your regular duties; and
- be examined by doctors selected by the system.

You can apply for accidental disability by filing forms available from the Disability Review Section. Your employer also has the right to apply for accidental disability for you. You must provide evidence of the traumatic event and your employer must confirm it. In any case, the application must be filed within five years following the date of the traumatic event.

If you qualify for accidental disability retirement, you will be entitled to receive an allowance equal to 2/3rds of the salary you were receiving on the date of the accident. These benefits are payable as long as you remain disabled or until you are returned to public service.

If you apply for accidental disability and are found to be disabled, but *not* as a direct result of a traumatic event on your job, you may be retired under ordinary disability, provided you meet those qualifications. Or, you may be retired under service retirement (if you are over 60).

(N.J.S.A. 18A:66-39, 42);
(N.J.A.C. 17:1-4.29; 17:3-1.10, 6.7 to 6.10)

C. Medical evidence—In completing a disability application, you or your employer must

provide medical information supporting your claim of disability. X-rays, hospital records and physician reports must be submitted. Statements by your employer and others familiar with the traumatic event will also be required. The more complete the information submitted, the more quickly the board of trustees can reach a decision about the claim.

Applicants for disability retirement will be examined by physicians designated by the system. All medical data will be submitted for review to a medical review board which acts as advisor to the board of trustees.

Medical information submitted is confidential and can only be used by the board of trustees or medical review board to consider your application for disability retirement.

IMPORTANT: You *cannot* assume that approval of workers' compensation, temporary or partial disability benefits or social security disability benefits is any guarantee of your approval for total and permanent disability benefits payable by the retirement system, which has its own requirements.

(N.J.S.A. 18A:66-39);
(N.J.A.C. 17:1-4.20, 4.26; 17:3-1.6, 6.25)

V. Special Veteran Retirement

In order to qualify as a veteran in the retirement system you must hold other than a dishonorable discharge from the military service of the United States in:

- World War I from April 6, 1917 to November 11, 1918 and certain other campaigns and expeditions;
- World War II, at least 90 days of active military service between September 16, 1940 and September 2, 1945;
- The Korean Conflict with at least 90 days of active military service after June 23, 1950 and prior to July 27, 1953;
- The Viet Nam Conflict with at least 90 days active military service after December 31, 1960 and prior to August 1, 1974.

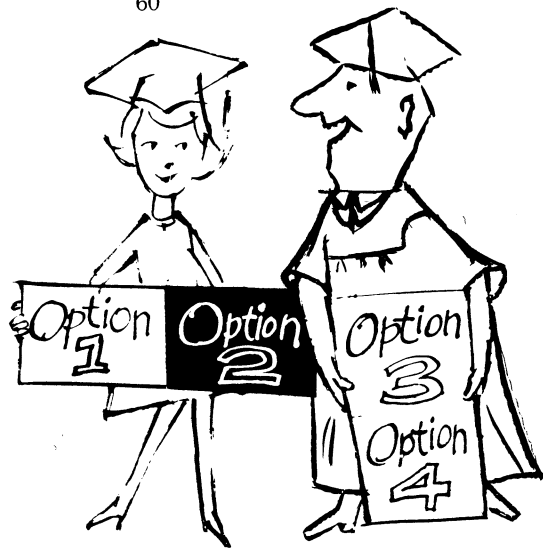
You should submit military discharge papers (DD214) with your enrollment application showing both your induction and discharge dates.

Eligible veterans may retire after 25 years of aggregate service credit at age 55 or after 20 years of service credit at age 60. The annual benefit is equal to one-half of the salary upon

which you contributed during your last year of employment.

Eligible veterans may also retire after 35 years of aggregate service credit at age 60. The annual benefit is calculated using the following formula:

$$\frac{\text{Years of Service}}{60} \times \text{Last Year's Salary}$$



These benefits cannot be deferred and they are available only at the ages specified. Veteran members may retire on the same basis as non-veteran members.

(N.J.S.A. 18A:66-2, 52, 70 and 71);
(N.J.A.C. 17:1-4.5)

OPTIONS AT RETIREMENT

All of the benefit formulas described produce the largest or "maximum" allowance payable to you from the time of retirement until death. The "maximum" allowance stops at your death. The Division of Pensions is required to notify via certified mail the spouse of a member who selects the maximum retirement benefit.

However, when you retire, you may wish to provide for a beneficiary by selecting one of the options described below. Selection of an option reduces your monthly retirement allowance.

Option 1—Under this option, an initial reserve based on your life expectancy is set aside. If you die before collecting, in the form of monthly allowances, the full proceeds of the initial reserve, the unused balance of the reserve is paid in a lump sum to your designated beneficiary. If your beneficiary is dead, then the money is paid to your estate.

Option 2—When you die, the same allowance that you were getting will be paid to your beneficiary until that person dies. Nothing, however, goes to your estate under this option.

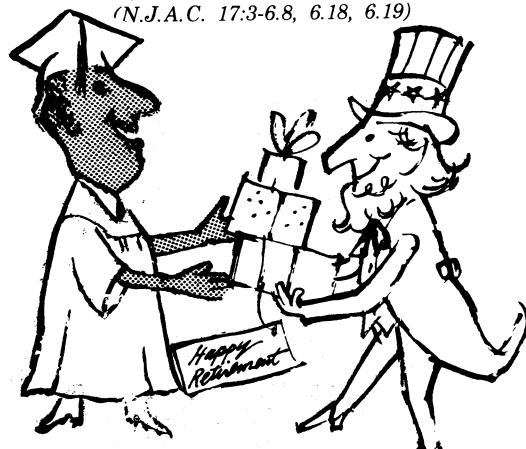
Option 3—When you die, one half the retirement allowance that you received will be paid to your beneficiary until that person dies. Again, nothing goes to your estate under this option.

Option 4—This option allows you to specify an amount that you want paid to your beneficiary when you die. It cannot be more than the amount under option 2. It will be paid to your beneficiary until that person dies.

IMPORTANT: Under options 2, 3, or 4, once you choose a beneficiary at retirement, it *cannot* be changed. This is important because if you choose option 2, 3 or 4 and your beneficiary dies before you do, there will be no change in the allowance paid to you nor can you name another beneficiary. Conversely, if a retirant dies before the retirement allowance becomes effective, an optional settlement may not be effective. In this case, contact the Division of Pensions for details.

IMPORTANT: ONCE THE RETIREMENT HAS BECOME EFFECTIVE, NO CHANGE IN THE TYPE OF RETIREMENT OR PAYMENT TO BE RECEIVED IS POSSIBLE. YOUR CHOICE IS IRREVOCABLE.

(N.J.S.A. 18A:66-47, 58.1);
(N.J.A.C. 17:3-6.8, 6.18, 6.19)



REDUCTION OR SUSPENSION OF YOUR BENEFITS

Normally, you'll receive retirement benefits as long as you live. There are certain conditions, however, that could mean a reduction or suspension of your benefits. Your benefits could be reduced or suspended.

—if as a disability pensioner, you fail to

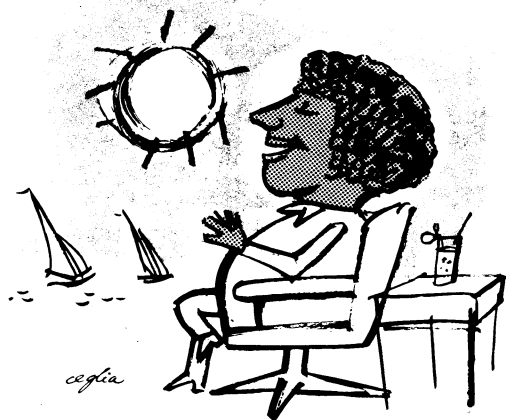
appear for your annual medical examination.

- if you fail to file a Certificate of Eligibility when you are asked to do so. You will be asked to file such a certificate if, for example, there is a change of marital status for you or one of your beneficiaries.
- if you should become mentally or physically incompetent your benefits may be suspended and not reinstated until a legal representative has been appointed.
- if there is an outstanding loan balance.
- if you receive a salary beyond the date of retirement.
- if you waive your right to a pension so, for example, you can collect another pension.
- if you go to jail, although the board of trustees may permit the continuance of your allowance to your family.
- if an accounting error is made, and the system must be repaid.

Your pension is ordinarily exempt from any liens against it. Exceptions are tax liens imposed by IRS or court orders for child support or alimony. The order is effective only when you withdraw your funds or when you begin to receive monthly payments. If the order is received while you are in active service, it will be deferred until you withdraw or begin to receive monthly benefits.

Finally, your benefits can be reduced or suspended if you are convicted of a crime involving your employment. The board will consider every case on its merits.

(N.J.S.A. 43:1-2; 18A:66-51, 63, 64);
(N.J.A.C. 17:1-1.15, 1.21, 4.23, 4.25; 17:3-1.8, 1.9, 6.4, 6.13, 6.14, 6.22)



COST OF LIVING ADJUSTMENT

The cost of living adjustment (or Pension Adjustment Program) covers all pensioners and survivors of state-administered retirement systems. You must receive retirement benefits for at least 24 months or be a beneficiary receiving monthly payments for the cost of living adjustment to be in effect. Beneficiaries who received a lump sum under option 1 are not eligible. (If you chose option 1, your cost of living adjustment is calculated as if you had elected the maximum allowance).

Under current law, the cost of living adjustment is computed annually. You receive 60% of the change in the average Consumer Price Index between the calendar year in which you retired and the 12 month period ending each August 31st.

(N.J.S.A. 43:3B);
(N.J.A.C. 17:1-7.1 to 7.8)

SOCIAL SECURITY

Your pension is in addition to any social security benefits you may receive.

EARNINGS AFTER RETIREMENT

Most retired members have no limitations on earnings after retiring. If you are not on a disability retirement, you may work for a private employer without affecting your benefits from the retirement system, although your social security benefits could be affected. Still, if you go back to work after you retire from public service, there are four stipulations that you should know about.

1. Retirees who return to service—If you accept a position covered by another retirement system, other than that system from which you retired, you will not be able to enroll in that other pension plan. However, if you return to a position covered by this retirement system, your retirement allowance will be suspended and you will be required to re-enroll, provided that you are still eligible. You will then be considered an active member. When you retire again, your former allowance will be restored, and you'll receive an additional allowance based on your additional service.

(N.J.S.A. 43:3C; 18A:66-53.2)

2. Disability retirees who return to service—If you were on disability retirement and return to active service, you will be re-enrolled in the system. You will then be considered an active member. When you retire again, you will receive an allowance based on all of your service credit.

(N.J.S.A. 18A:66-40);
(N.J.A.C. 17:3-6.13, 6.14)

3. Special rules for disability retirants—If you are on disability retirement, you may have to have an annual medical examination until age 60, but not for more than five years after retirement.

If you earn other income before age 60, your disability pension may be reduced. Any reduction depends on how much you earn. The total of the amount you earn plus the disability pension cannot exceed the amount of the current salary you would have been earning in the position you were working in when you were disabled. For example, if your former position now pays \$30,000 a year, and you now earn other income totaling \$16,000, your annual pension can't exceed \$14,000.

(N.J.S.A. 18A:66-40);
(N.J.A.C. 17:1-1.22, 4.21)

4. Social Security benefits—There is an earnings test for most people receiving social security benefits. When you file an application for social security, you'll be told how earnings will affect your social security benefits. Check with your local Social Security Administration office for details.

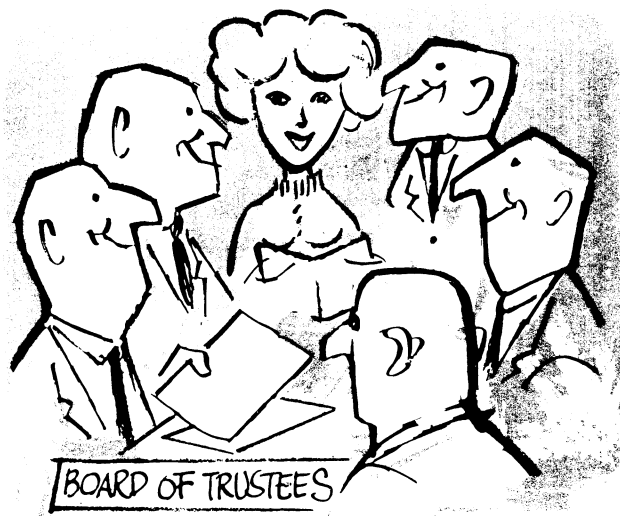
APPEALS

If you wish to appeal any administrative decision, address your appeal to the Secretary to the board of trustees, Division of Pensions. If your request is denied by the board, you will be notified that you have 45 days in which to file for a hearing.

If the issue involves disputed matters of fact, the board will approve a hearing. The matter will be referred to the Office of Administrative Law where an administrative law judge will schedule a hearing. You may wish to be represented by an attorney since this is a legal proceeding.

If the matter is heard by an administrative law judge, recommendations will be made to the board of trustees. If the board still affirms its original decision and denies your request, you will have an opportunity to appeal to the courts.

(N.J.A.C. 17:1-5.1 to 5.6; 17:3-1.7)



HOW THE RETIREMENT SYSTEM IS ORGANIZED

The Teachers' Pension and Annuity Fund is administered by the Division of Pensions in the Department of the Treasury of New Jersey. The general responsibility for the operation of the system is given to a board of trustees consisting of elected members of the system, public members appointed by the Governor, and the State Treasurer.

Elected members serve for a stipulated term. Public members serve indefinite terms at the discretion of the Governor. The board meets monthly at the retirement system offices.

The trustees are also aided by a medical board consisting of three physicians who review all claims for disability benefits.

The system's actuary is responsible for evaluating the system's resources and obligations and for recommending changes in funding and/or the tables upon which many of its operations are based.

The Attorney General serves as the system's legal advisor.

The State Division of Investment is responsible for the system's investments and the State Treasurer is the designated custodian of the system. The various funds maintained by the system are subject to examination by the Commissioner of Insurance.

The system annually issues a report showing the condition of the system, membership, etc.

(N.J.S.A. 18A:66-28, 55, 56, 57, 59, 61, 62);

(N.J.A.C. 17:1-1.12; 17:2-1.1, 1.3, 1.4)

MEMBER'S RIGHTS

As a member of the Teachers' Pension and Annuity Fund, you are entitled to certain rights and protections:

a. to examine all documents such as your individual membership folder at the office of the retirement system, without charge. You can examine statutes, regulations, actuarial valuations and annual reports at the office without charge.

(N.J.A.C. 17:1-4.1; 17:3-1.6)

b. to obtain copies of all such documents upon written request to the retirement system. The Division of Pensions will make a reasonable charge for such copies.

(N.J.A.C. 17:1-4.22)

c. to receive a copy of the retirement system's annual report. If the demand for annual reports exceeds their supply, you will be given a summary of the system's annual report indicating the plan's transactions, fiscal posture and funding position.

d. to obtain a statement telling you whether you have a right to receive a pension, and if so, what your estimated benefits would be if you were to retire. If you do not have a right to a pension, the statement will tell you how many more years you will have to work to earn a pension. This statement must be requested in writing and will not be provided more than once a year. There is no charge for the statement.

e. to receive your benefits without interference from your employer, supervisor, or union.

f. to receive a written explanation of the reason why you were denied any benefit in whole or in part. You have a right to have the board of trustees review and reconsider your claim.

g. to receive responses and materials from the system in a reasonable time. If you have a claim for benefits which is denied, in whole or in part, and you have exercised all of your rights for a hearing, you may file suit in state or federal court. If you feel that you have been discriminated against, you may likewise bring suit. Depending on the finding of the court, you may or may not have to pay court costs and fees.

(N.J.A.C. 17:1-5.1 to 5.6)

h. to contact the Division of Pensions if you have any questions about the system. If you are not literate in English, the Division of Pensions will try to help you find someone who can express your needs to the system.

PLAN INFORMATION

NAME OF PLAN

The Teachers' Pension and Annuity Fund of New Jersey

ADMINISTRATION

The Teachers' Pension and Annuity Fund is a defined benefit plan administered by the New Jersey Division of Pensions, Douglas R. Forrester, State Pension Director, Division of Pensions, 20 West Front Street, Trenton, New Jersey 08625.

PROVISIONS OF LAW

The Teachers' Pension and Annuity Fund was established by New Jersey Statutes and can be found in the New Jersey Statutes Annotated (N.J.S.A.), Title 66 Chapter 18A. Changes in the law can only be made by act of the State Legislature. Rules governing the operation and administration of the system may be found in Title 17, Chapter 3 of the New Jersey Administrative Code (N.J.A.C.).

FUNDING

Contributions are made by the state on behalf of contributing state employees. All contributions not required for current operation are reported for investment to the State Division of Investment.

PLAN YEAR

For record-keeping purposes this plan year is July 1 through June 30.

SERVICE OF LEGAL PROCESS

Legal process may be served on Douglas R. Forrester, State Pension Director, who is the administrator of the system.

EMPLOYMENT RIGHTS NOT IMPLIED

Membership in the Teachers' Pension and Annuity Fund does not give you the right to be retained in the employ of a participating employer, nor does it give you a right of claim to any benefit you have not accrued under terms of the system.

(N.J.A.C. 17:3-1.2)