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POLICE AND FIREMEN'S RETIREMENT SYSTEM  
OF NEW JERSEY

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## I Introduction

Dear Member:

Your Retirement System has necessarily developed some complexities since its effective date of July 1, 1944. These complexities reflect efforts to assure that the most liberal benefits possible are distributed in the most equitable manner. Your Board of Trustees feels that great strides have been taken toward both goals.

Perhaps the most significant changes occurred with the introduction of the optional additional death benefits. This resulted in two classes of membership - Class A - those members not electing the optional coverage and Class B - those electing. The summary that follows will describe benefits according to this classification.

## II Benefits

It is a certainty that every membership will result in one of the following claims:

- Age and service retirement
- Accidental disability retirement
- Ordinary disability retirement
- Accidental death on duty
- Ordinary death in service
- Resignation, dismissal, etc.

We can use this identification as a key in our summaries of benefit.

It is necessary that certain definitions be given at this point to allow continuity of thought.

Final Average Compensation - shall mean the average earnable salary of an employee during his last five years of service as an employee or if he had less than five years of service, then his average earnable salary for his total service.

Creditable Service - shall mean service rendered for which credit is allowed. Only service as a policeman or fireman paid for by an employer and rendered by a member since he became a member or since he last became a member in case of a break in service, plus service, if any, covered by a prior service certificate shall be considered as creditable service.

Aggregate Contributions - shall mean the sum of the amounts deducted from a member's salary and credited to his account in the Annuity Savings Fund.

Annuity - shall mean payments for life derived from the aggregate contributions of a member. All annuities shall be paid in equal monthly installments.

Pension - shall mean payments for life derived from contributions by the employer. All pensions shall be paid in equal monthly installments.

#### ● Age and Service Retirement

There are two requisites for this claim - one, 25 years of 'creditable service' and secondly, the attainment of age 55 years. These are minimum requirements as members can continue at their discretion until age 65 years at which time police and firemen are subjected to compulsory retirement.

The amount of benefit depends upon the amount of creditable service of the member. Each year of creditable service will result in 1/60 of the 'final average compensation' as the retirement allowance.

Therefore, consider the member who enrolled at age 25 years. This member, at age 60 years, has 35 years of creditable service and his final average compensation is \$4,900.

$$\begin{array}{r} 35/60 = 58-1/3\% \quad \$4,900. \quad \text{FAC} \\ \times 58-1/3\% \end{array}$$

or 12 )\$2,858.33 Annual Allowance

\$ 238.17 Monthly Allowance

Had this member decided to retire at age 55 years, he would have had 30 years creditable service. His allowance would then be

$$\begin{array}{r} 30 \text{ yrs.} - 30/60 = 50\% \quad \$4,900. \quad \text{FAC} \\ \times 50\% \end{array}$$

12 )\$2,450. Annual Allowance

\$ 204.16 Monthly Allowance

There are various options offered by the fund which in effect reduce the maximum annual allowance as computed above, in order that the value of the reduction be re-directed to a beneficiary after the death of the member. The ages of both the member and designated beneficiary control this calculation.

For example:

a. The member with 35 years of service, aged 60 years, (illustrated) might elect to take a 'reduced' pension in lieu of the maximum \$2,858.33 in order that his beneficiary (female, age 59 years) might continue to receive the same pension after his death (OPTION 2).

The amount of reduction would therefore be determined on the combination of male member aged 60 years and female beneficiary aged 59. In this case the tables adopted by the Board of Trustees would reduce the \$2,858.33 to approximately \$2,000. payable to the member for his lifetime and continuing to the named beneficiary in the same amount for her lifetime after the death of the member.

b. The same member might want to provide a lesser amount to continue to his named beneficiary after his death. He can agree to accept \$2,345. per annum for his lifetime in order that \$1,173. per annum continue to his named beneficiary, a female, age 59 years in this illustration (OPTION 3).

Naturally, extreme age combinations would differ considerably from our example.

c. OPTION 1 is to protect the remaining value of the member's 'aggregate contributions' should he die before expectancy and before he had reclaimed the value through his retirement allowance.

NOTE: Each retirement payment consists of an 'annuity' and 'pension'. The total of the employee's 'aggregate contributions' divided by his life expectancy determines what portion of the total allowance is annuity. When the pensioner lives to normal expectancy, he will have received through annuity payments the value of his aggregate contributions. At this point the selection of OPTION 1 would be of no consequence although the small discount from maximum pension would not be returned or discontinued. In these calculations the life expectancy table is modified to an annuity value table in order to credit the member with 3% interest.

A paid-up policy is payable at his death after retirement regardless of the pensioner's decision to accept maximum age and service allowance or to modify the same by Option. In the case of a Class A member, the paid-up value would be 3/16 (18-3/4%) X the last year's salary\*. A Class B member would have a paid-up value of 6/16 (37-1/2%) X last year's salary\*.

(\* Not final average salary.)

For example: Age and Service Benefit - Class B Member-  
35 years, age 60.

Final Average Compensation \$4,900.  
Last Year's Salary \$5,300.  
No Option Selected

$35/60 = 58-1/3\%$  \$4,900. FAC  
 $\times 58-1/3\%$

12 )\$2,858.33 Annual Allowance

\$ 238.17 Monthly Allowance

plus  $6/16 = 37-1/2\%$  \$5,300. Last Year's Salary  
 $\times 37-1/2\%$

\$1,987.50 Lump Sum Payable  
at Death

#### Accidental Disability Retirement

A member may file for an accidental disability retirement regardless of his service credit. The Board of Trustees must determine whether the incapacity is likely to be permanent and to such an extent that the member should be retired.

The accidental disability retirement allowance consists of two parts

a. An annuity (total employee contribution divided into his life expectancy with interest consideration) payable in monthly payments.

b. A pension equal to one half the member's final average compensation.

The total of the annuity and pension payments cannot exceed 60% of the final average compensation.

Consider, as an example, the member who has served 17 years and is so disabled.

Total Employee Contribution \$5,600.  
Age at Disability Retirement 49 yrs.  
Final Average Compensation \$5,400.

\$5,400. FAC  
 $\times 50\%$

12 )\$2,700. Pension Allowance

\$ 225. Pension Allowance

Disabled male, age 49 - factor 12.5

12.5 )\$5,600. Total Emp. Contr.

\$ 448. Annuity (37.33 Mo.)

Annual		Monthly
\$2,700.00	Pension	\$ 225.00
448.00	Annuity	37.33
<u>\$3,148.00</u>		<u>\$ 262.33</u>

This member would receive \$ 262.33 monthly or \$3,148.00 each year for his lifetime. A very important fact is that at the death of the accidental disability pensioner, a pension of \$1,500. a year is paid to the widow to continue until her death or remarriage. Dependent children receive benefits if there is no widow or if the widow dies leaving such children. Three such children would receive a total of \$1,500. annually; two such children would receive \$480. a year each; and one such child \$600. a year. An eligible widow must have been married to the member at the time he was disabled.

#### Ordinary Disability Retirement

A member who has had five or more years of creditable service and becomes permanently disabled for the performance of his duties through causes other than service accident, is entitled to an ordinary disability retirement allowance. The minimum allowance to such a member is 25% of his final average compensation.

It is possible to receive more than the 25% minimum especially if the member has considerable service (but not qualified for age and service retirement). To determine this possibility the total of the employee's contribution is divided by a factor appropriate for the disabled male's age. This produces an 'annuity' and if

annuity plus a like amount as 'pension' exceeds the 25% of final average salary, the higher allowance will be paid.

Example: Disabled male age 55 (factor 11.3)  
 Years of creditable service 24  
 Employee contributions \$7,200.  
 Final Average Compensation \$4,800.

(a)		(b)	
11.3	\$7,200.		
\$ 637.17	Annuity	\$4,800.	(Minimum
x 2		x 25%	Allowance)
\$1,274.34	Total Annual Allowance	\$1,200.	Total Annual Allowance

In this instance the annuity formula exceeds the minimum 25% and would apply.

At the death of such a member an amount equal to 3/16 of last yearly salary for Class A membership and 6/16 of the last year's salary (Class B) would be payable to the named beneficiary.

#### Accidental Death on Duty

The eligible widow and designated beneficiary of a member dying by accident met in line of duty will receive a benefit consisting of two parts.

- A pension of \$1,500. a year for her lifetime or until remarriage; and
- An annuity from the member's contributions.

A member dying from such cause after contributing \$4,000. would be providing his 50 year old widow named as beneficiary with the following allowance.

(a)	Annual Pension	\$1,500.
(b)	\$4,000. ÷ 17 (factor)	= 235. *
	Total Annual Allowance ..	\$1,735.

\*Payable to named beneficiary - assumed to be widow in this example.

This annual amount payable in monthly installments of \$144.58 would be continued to the widow for her lifetime or until remarriage and to dependent children if there is no widow or she dies leaving such children. The annual amount to three or more such children is \$1,500., to two such children \$960., to one such child \$600.

#### Ordinary Death in Service

It is the ordinary death in service benefit which has been effected by the optional coverage program. The benefit is dependent upon the class of membership elected by the member. The Class A member has not elected the additional optional coverage while the Class B member has effected such coverage by his election and additional contribution of 1% of salary.

If a member dies while still employed, due to any cause other than service connected accident, the benefit would be determined as in the following examples.

CLASS A		CLASS B
\$ 5,600.	Last Year's Salary	\$ 5,600.
x 1 1/2		x 3
\$ 8,400.		\$16,800.
+ 3,600.	Total Employee Contr.	+ 3,600.
\$12,000.	.... TOTAL ....	\$20,400.

Each member has the privilege to name such beneficiary and retains the right to change this beneficiary at any time. The member also directs this fund as to the method by which he wishes the benefit to be distributed. The member can direct this fund to pay the benefit in one lump sum, by a life annuity (over the life span of designated beneficiary), or by a specified number of annual installments.

Interest considerations are part of the annuity and annual installment plans.

In the above illustration the Class B benefit of \$20,400. would provide an annual payment of approximately \$1,360. to a 55 year old female beneficiary or approximately \$2,391. annually if a ten year installment is selected. In the event a member has directed such payment in one lump sum, the designated beneficiary has the privilege of changing the selection to life annuity or installment plan at the member's death. However, if the member has directed payment in the form of life annuity or specified number of annual installments, the selection must stand.

Resignation, Dismissal, etc.

A member who resigns, is dismissed, or for some reason terminates his employment before qualifying for benefit, receives the total of the contributions he has made to the fund. This refund will not include amounts paid for the optional additional death benefit.

## General Information

ADMINISTRATION

The administration of the fund is vested in a Board of Trustees consisting of four trustees who are appointed by the Governor, the State Treasurer (Ex-officio), and four who are members of the fund and who are elected by the members (two police and two fire trustees elected by the respective group). The appointed trustees serve a three year term while the elected trustees serve a four year term. The Attorney General of the State of New Jersey is the legal advisor of this Board.

The chief duties of the Board are to keep the fund actuarially sound, to invest\* and manage the funds and to grant the retirement allowances and other benefits of the fund. (\*Recommendation for the purchase or sale of securities originates in the Division of Investment.) The Board of Trustees controls the investment of the funds by exercising its power of approving or rejecting recommendations for investment. The Investment Council regulates and formulates the policies of the Investment Division.

ENROLLMENT

The maximum age for police and fire appointment is thirty years. This is subject to the provisions of R.S. Title 38:23A-2 and R.S. 43:1-1.1, which allows veterans the privilege of meeting the age maximum in effect on the date they entered military service and in addition allows consideration for the time spent in military service in qualifying for appointment and for pension coverage. These privileges are for qualification only, as all members of this fund contribute at a percentage of salary based on their actual age at enrollment.

It is a condition of employment that all police and fire appointees become members of this fund.

FINANCIAL STRUCTURE

The State of New Jersey provides all the administrative expenses of the system. The system operates on an actuarial basis similar to the State operated funds for teachers and State employees. The fund is supported by the joint contributions of the members and their respective employers. The municipal contribution is larger than the employee's because the municipality is required to support the entire cost of the accidental death and accidental disability features of benefit. The employees contribute at a percentage of their salary according to their age at entrance into the fund. The basic rates of contribution for employees are shown below.

*AGE	RATE	AGE	RATE	AGE	RATE
20	5.73	32	7.07	44	8.10
21	5.83	33	7.15	45	8.20
22	5.93	34	7.24	46	8.29
23	6.03	35	7.32	47	8.37
24	6.14	36	7.41	48	8.44
25	6.25	37	7.49	49	8.50
26	6.38	38	7.57	50	8.55
27	6.50	39	7.66	51	8.58
28	6.63	40	7.74	52	8.60
29	6.75	41	7.83	53	8.61
30	6.88	42	7.92	54	8.62
31	6.98	43	8.01	55	8.62 max.

\* These rates are for the regular basic benefits exclusive of the additional Death Benefit which is an optional feature. (Employee deductions are determined by tables for administrative advantage. These tables group salary ranges and interpolate for an average deduction. For this reason the percent rate indicated above might not produce the exact deduction.)

This pamphlet has been prepared by the Board of Trustees of the Police and Firemen's Retirement System of New Jersey for the purpose of acquainting the members with the main provisions of the fund. It is not to be considered as a technical source of information or a substitute for the law. Whenever a question arises which is not covered by this pamphlet, the proper reference should be C. 255, P.L. 1944 and its supplements as contained in the Revised Statutes of New Jersey, Title 43:16A.

The office of the Police and Firemen's Retirement System is located at 137 East State Street, Trenton, New Jersey. Telephone - Export 2-4111



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