
A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

Employment After Retirement

Police and Firemen's Retirement System

This fact sheet provides information a Police and Firemen's Retirement System (PFRS) retiree should consider before returning to the work force in either a full- or part-time basis.

Working for private industry, the federal government, or a government agency in another state will not normally affect your PFRS retirement benefits.

Returning to public employment in New Jersey after retirement, however, could affect your benefits as shown in the following information.

IRS PROVISIONS

A PFRS retiree who returns to public employment before age 59½ may be subject to 10 percent additional federal tax withholding for an in service distribution under the Internal Revenue Code. Because this issue is fact sensitive, you should consult with the Internal Revenue Service or a qualified tax consultant and **are strongly advised to use caution if considering a return from retirement to public employment.**

BONA FIDE RETIREMENT

In applying the return to employment provisions described in this fact sheet, it is assumed that the PFRS retirement is considered to be “bona fide.” This means the retiree has **made a good faith action to retire** and that **the employer/employee relationship is completely severed.**

- A “bona fide” retirement must also be “due and payable.” Your retirement does not become “due and payable” until there has been a cessation of employment of *at least* 30 days following your retirement date, or 30 days following approval of your retirement by the PFRS Board of Trustees, whichever is later. If you return to a PFRS covered position — on either a paid or voluntary basis — before the 30 days have elapsed, you should expect to continue enrollment in the PFRS. Your retirement will be considered invalid, and you

will remain an active employee under your original PFRS account.

Other situations where a retirement may not be considered “bona fide” include, but are not limited to, the following examples:

- If you make arrangements prior to your retirement to return to the same or similar public employment as a regular employee, contract employee, leased employee, or an independent contractor, the employer/employee relationship has not been completely severed — regardless of the length of any break in employment — and your retirement will be determined to be invalid. In this case you will remain an active employee under your PFRS account while in the new position.
- If you are re-employed or appointed by the same employer to the same or a similar position that would have qualified for continued membership in the retirement system had the retirement not occurred, this may indicate that the employer/employee relationship has not been completely severed and, therefore, your retirement may be determined to be invalid. In this case you will remain an active employee under your PFRS account while in the new position.

If your retirement is determined to be invalid (not “bona fide”), you will be required to reimburse the retirement system for the amount of any retirement benefits you receive from the date of retirement and be required to pay pension contributions in the form of back deductions going back to the reenrollment date. **There is no limitation on the amount of reimbursement that may be recovered by the retirement system in these situations.**

The information contained in the rest of this fact sheet assumes that the returning retiree has a “bona fide” retirement. If it is established at any time that the retirement was not made in good faith or that the employer/employee relationship was not completely severed, the provisions described below will not apply.

**PFRS RETIREE RETURNING TO
WORK IN A PFRS COVERED POSITION****PFRS Enrollment Required**

N.J.S.A. 43:16A-15.3 requires that if you return to employment covered by the PFRS, you must suspend your retirement and and reenroll in the PFRS as a condition of employment. All eligibility requirements must be met except the age requirement (see “Exception for Elected Officials” below and special rules for “Police and Fire Administrative or Supervisory Positions” on page 4).

Your prospective employer should be able to tell you whether the employment you are considering is covered under the PFRS. However, if there is any doubt, you should have the prospective employer contact the Division of Pensions and Benefits for verification prior to your accepting any public employment after retirement. You will be responsible for any penalties imposed based on violation of the law.

Elected Officials

Repealing N.J.S.A. 43:16A-5.1, Chapter 78, P.L. 2011 provides that a member of the PFRS can no longer retire while holding an elective public office covered by the PFRS and collect a retirement allowance. PFRS retirees who were granted a retirement allowance under those sections prior to effective date of Chapter 78, P.L. 2011 (June 28, 2011) and are currently in the same elective office covered by either of those systems may continue to receive their pension benefit and salary for the elective office.

Under N.J.S.A. 43:3C-3, a bona fide (see page 1) retired member of a State-administered retirement system who is elected to public office may either continue to receive a retirement benefit from the former employment and would not be eligible for enrollment in the new retirement system, or may suspend the retirement benefit (and any related health benefits coverage) from the former employment and enroll in the new retirement system while serving in the elected office. Upon termination of the elected office, the retirement benefit from the former employment would be reinstated.

Your Second PFRS Membership

If reenrolled, your retirement allowance and any related health benefits will be canceled for the duration of your employment and you become a new active contributing member of the PFRS.

Your date of reenrollment is determined under the general enrollment procedures of the PFRS and you are treated as an active PFRS member in all respects. You will be enrolled in a new PFRS account under the membership tier in effect at the time you return to employment (see special rules for “Disability Retirees Restored to Active Service in the PFRS” on page 4).

**Survivor’s Benefit
During Your Second PFRS Membership**

If you die while in the second membership, no benefits from the previous membership or retirement are payable. This means that survivor benefits from the suspended retirement would not be paid to your beneficiaries.

Survivor benefits based on your second PFRS membership would be payable to your beneficiaries.

N.J.S.A. 43:16A-9 provides that in the event of death occurring *in the first year* of creditable service, the survivor’s benefit is computed at the annual rate of compensation.

**Life Insurance Benefit
During Your Second PFRS Membership**

If your death occurs in active service, your named beneficiary (or estate where there is no named beneficiary) will receive a death benefit (life insurance) equal to 3½ times your Compensation.*

If you die during the first year of creditable service, the benefits will be 3½ times the creditable salary you actually received upon which pension contributions were paid, and not on your annual Compensation.

**FAILURE TO ENROLL IN A
PFRS ELIGIBLE POSITION**

If you return to employment under the PFRS and

- You are eligible for membership but you fail to reenroll; or

*“Compensation” means the base salary in the 12 months immediately preceding your retirement (or death if an active member).

A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

- It is determined that your PFRS retirement is not “bona fide” (see page 1);

You will be required to reimburse the retirement system in the amount of all retirement benefits you received from the date you should have reenrolled and — if still employed — enroll in the PFRS. In addition, you will be required to pay pension contributions in the form of back deductions back to the date you should have been reenrolled. Your employer may also be liable for pension and Social Security contributions.

There is no limitation on the amount of reimbursement that may be recovered by the retirement system in these situations.

REENROLLMENT PROCEDURES

The following steps should occur when you are reemployed and reenrolled in the PFRS:

1. Your employer must submit a PFRS *Enrollment Application* on your behalf to the Division of Pensions and Benefits. You will be enrolled in a new PFRS account under the membership tier in effect at the time you are reemployed.
2. Your retirement allowance will be suspended as of the date you are required to reenroll. The date of enrollment is not negotiable. The Retirement Bureau of the Division of Pensions and Benefits will advise you of the suspension.
3. Your *Enrollment Application* will be processed and a *Certification of Payroll Deductions* will be sent to your employer. This certification will include instructions to collect pension contributions and any back deductions, if appropriate.
4. You will be billed for any retirement payments you received after the effective date of your new PFRS enrollment. Because of the sequence of events, most retirees are enrolled in the PFRS on a retroactive basis. You should therefore anticipate that you will be required to refund one or more pension checks to the retirement system.
5. On or before the effective date of your second retirement, you must file an *Application for*

Retirement Allowance. You must meet all the qualifications and requirements for retirement under the PFRS membership tier of your second account. Your former retirement allowance will be restored along with any appropriate cost-of-living adjustment due based upon your original date of retirement. In addition, you will receive a retirement allowance based upon your new period of service. The two calculations are paid in separate retirement checks.

The retirement allowance based upon your new period of service uses the Service Retirement formula that is equal to 2 percent of Final Compensation** for each year of creditable service. Under no circumstances can the two accounts be combined to produce a benefit to exceed the benefit you would have received had you remained continuously employed.

For example, if you retired after 25 years with a Special Retirement equal to 65 percent of Final Compensation and then returned to work in a PFRS covered position for another 10 years which is equal to 20 percent of Final Compensation under a Service Retirement, your combined benefit could not exceed 70 percent of Final Compensation, the maximum benefit you could have expected to receive had you continued in your first position.

Service credit from your first and second account can be combined to qualify for employer-paid health benefits coverage. In order to receive this coverage, you must meet the eligibility requirements for State- or employer-paid coverage when you retire from your final employer in the retirement system.

RETURNING TO WORK IN A POSITION COVERED BY A DIFFERENT NEW JERSEY STATE-ADMINISTERED RETIREMENT SYSTEM

If, as a “bona fide” retiree, you return to work covered by a different New Jersey State-administered

***“Final Compensation” means the base salary in the 12 months immediately preceding retirement if enrolled on or before May 21, 2010, or the average salary for any three fiscal years if enrolled after May 21, 2010.

retirement system, your PFRS retirement allowance may continue and you can receive salary from the employment; however, you cannot become a member of that retirement system (see “IRS Provisions” on page 1 about federal tax implications).

Police and Fire Administrative or Supervisory Positions

N.J.S.A. 43:16A-3.1 addresses the special situation of a PFRS retiree who is appointed to a position with a law enforcement unit or firefighting unit with administrative or supervisory duties over police officers and/or firefighters (such as Police Director, Fire Director, Director of Public Safety, etc.). If a PFRS retiree is appointed to this type of position less than six months after retirement, that retiree **must** suspend the retirement allowance and reenroll in the PFRS.

DISABILITY RETIREES RESTORED TO ACTIVE SERVICE IN THE PFRS

If you retired on a PFRS disability retirement *but are no longer disabled*, before you can return to active service in a PFRS eligible title you must be under age 55 and:

1. Make a written request to return to active service to the Division of Pensions and Benefits.
2. Submit a physician's report to the Division certifying that you are no longer disabled and can return to employment. The physician should be one with the same specialty as the physician who originally certified that you were disabled.
3. Be examined by a physician appointed by the PFRS Board of Trustees.
4. Be approved for return to active service by the PFRS Board of Trustees.

Please note: The process for returning to employment from a disability retirement may take up to six months so please plan accordingly. Processing times vary and cannot begin until the Division of Pensions and Benefits receives all the necessary information from you and your medical

providers. *If you are within a year of reaching the age of 55, all required documentation must be received by the Division six months prior to your turning age 55.*

If approved to return to active service in a position covered by the PFRS, your original PFRS account and “membership tier” are restored, deductions for pension resume, and you are treated as an active member in all respects.

Upon subsequent retirement, you must meet the retirement qualifications of your PFRS membership tier and file an *Application for Retirement Allowance* with the Division of Pensions and Benefits before any benefits can be paid. You will receive a benefit based on total service.

OTHER CONSIDERATIONS

Health Benefits Retired Group Coverage

Returning to public employment in New Jersey may affect your eligibility to continue coverage under the State Health Benefits Program (SHBP) or the School Employees' Health Benefits Program (SEHBP). If your retirement allowance is suspended because you return to work in a position covered by the PFRS, your SHBP or SEHBP retired group coverage is also suspended.

If you are covered under the SHBP or SEHBP (for reasons other than Chapter 330 — see below), returning to a position that is not covered by the PFRS will not affect your eligibility for retired group coverage under the SHBP or SEHBP. Maintaining SHBP/SEHBP retired group coverage also does not affect your eligibility for active group health coverage associated with your new (non-PFRS) employment, provided that the active coverage is not through the SHBP or SEHBP — multiple SHBP/SEHBP coverage as **both** a retiree and an employee is prohibited.

Chapter 330 Members — Chapter 330, P.L. 1997, provides SHBP or SEHBP coverage for certain retired police officers and firefighters whose employers do not pay for the health benefits for their retirees. Under this law, the State of New Jersey pays a portion of the retiree's premiums with the retiree paying the remainder.

A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

If you participate in the SHBP or SEHBP due to the provisions of Chapter 330, and obtain health benefits coverage **from any other employment** (including employment in the private sector), you are not eligible for Chapter 330 coverage while that other coverage is in effect. This is true even if your retirement benefit is not affected by your employment. You should notify the Division of Pensions and Benefits, in writing if you have active coverage as an employee. When coverage from other employment ends, you are eligible to reenroll in Chapter 330 coverage as long as you notify the Division of the loss of other coverage within 60 days. If you do not notify the Division within this time frame, you cannot reenroll for coverage until you become eligible for Medicare coverage. Should you die as an active employee, your spouse, civil union partner, or eligible same-sex domestic partner may only be eligible to pay for COBRA coverage from the active employer for 36 months.

Social Security Benefits

There is an earnings test for people under full retirement age receiving Social Security benefits. Check with the Social Security Administration at 1-800-772-1213 for information on earnings limits before accepting employment.

**SPECIAL NOTICE FOR RETIREES
IF REENROLLED TO A
PFRS COVERED POSITION**

If you are reenrolled in the PFRS after retirement, you are treated as an active member in all respects. Your retirement allowance is suspended as a result of a return to PFRS covered employment and no retirement or insurance benefits associated with your former retirement will be paid to your beneficiary should you die during your second membership. Once you retire again, the death benefits associated with retirement become effective.

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