



MAILING ADDRESS:
PO Box 295
TRENTON, NJ 08625-0295

LOCATION:
50 WEST STATE STREET
TRENTON, NEW JERSEY

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
(609) 292-7524 TDD (609) 292-7718
www.state.nj.us/treasury/pensions

ANDREW P. SIDAMON-ERISTOFF
State Treasurer

FREDERICK J. BEAVER
Director

April 1, 2010

TO: Certifying Officers of the Public Employees' Retirement System (PERS), Teachers' Pension and Annuity Fund (TPAF), and Defined Contribution Retirement Plan (DCRP)

FROM: Florence J. Sheppard 
Deputy Director, Benefit Operations

SUBJECT: Chapter 1, P.L. 2010 — Pension Changes to the Public Employees' Retirement System (PERS), Teachers' Pension and Annuity Fund (TPAF), and Defined Contribution Retirement Program (DCRP)

Governor Christie recently signed into law **Chapter 1, P.L. 2010**. This law implements several changes to the State-administered retirement systems. This letter addresses the changes to the Public Employees' Retirement System (PERS), Teachers' Pension and Annuity Fund (TPAF), and the Defined Contribution Retirement Program (DCRP). **Chapter 1, P.L. 2010 is effective May 21, 2010.**

PERS AND TPAF ELIGIBILITY AND ENROLLMENT

Chapter 1, P.L. 2010, shifts the basis for membership in PERS or TPAF from the amount of an employee's compensation to the number of hours worked. To be eligible for PERS or TPAF membership, the hours worked by an employee enrolled *after* May 21, 2010, must be fixed at:

- 35 hours or more per week for State employees to be enrolled in the PERS;
- 32 hours or more per week for Local Government employees to be enrolled in the PERS; or
- 32 hours or more per week for State or Local Education employees to be enrolled in the TPAF.

The change in eligibility establishes a new PERS and TPAF membership tier — **Tier 4**¹. To be enrolled, an employee must meet the minimum required work hours per week.

When determining eligibility, hours during which an employee does not work due to participation in a voluntary or mandatory furlough program will not be deducted in determining if the hours of work are fixed at fewer than 35 or 32 per week, as appropriate.

¹ Enrollment into Tier 3 of the PERS or TPAF based on annual salary will close to new members on May 21, 2010 (*except in cases of transfer of Tier 3 membership or disability retirees who return to covered employment*). Please see the information about the transfer of Tier 1, Tier 2, or Tier 3 membership on page 3 of this letter.

Persons ineligible for the PERS or TPAF because the hours of work are fewer than those required for membership *may* be eligible for enrollment in the Defined Contribution Retirement Program (DCRP). See the changes to DCRP eligibility on page 3 of this letter.

PERS AND TPAF RETIREMENT

Chapter 1, P.L. 2010, changes the formula and the definition of compensation to be used to calculate Service, Early, and Deferred Retirement for PERS and TPAF Tier 4 members enrolled *after* May 21, 2010.

- For Service, Early, and Deferred Retirement the formula for PERS and TPAF Tier 4 members uses the pre-2001 level of 1/60, **or** Years of Service/60 x Final Average Salary.
- The definition of compensation, or “Final Average Salary,” for PERS and TPAF Tier 4 members will be based on the average annual compensation for the last **five years** of service, or any **five fiscal years** of membership that provide the largest possible benefit to the member or the member’s beneficiary.

This definition of compensation will also be used to calculate survivor pension benefits and death benefit payments, when available, to beneficiaries of PERS or TPAF Tier 4 members.

- The PERS and TPAF Service Retirement age and benefit reductions applicable to PERS and TPAF Early Retirement remain the same as established under Chapter 89, P.L. 2008, and effective as of November 2, 2008. See Fact Sheet #4, *Applying for Retirement*, for details.
- The establishment of Tier 4 membership made no changes to the age or calculation methods for PERS or TPAF Veteran Retirements.

Note: *Retirement eligibility and calculation methods for PERS and TPAF Tier 1, Tier 2, and Tier 3 members remain unchanged and stay the same if the member transfers (See information regarding transfers on page 3 of this letter).*

MULTIPLE MEMBERSHIP

Chapter 1, P.L. 2010, requires that an employee enrolled *after* May 21, 2010, be eligible for PERS or TPAF Tier 4 membership based upon **only one position** and requires the retirement system to designate the position providing the higher or highest compensation for the member from among any concurrently held positions. This position will be used as the basis for eligibility for membership, service credit, the compensation base for pension contributions, and for other pension calculations.

If a Tier 4 member leaves a designated position or acquires a different position – or an additional position with higher compensation — the member will receive a new designation by the retirement system, if appropriate.

For current PERS or TPAF Tier 1, Tier 2, or Tier 3 multiple members, all presently held concurrent positions will continue to qualify for service credit and the compensation base for pension contributions and calculation of retirement, provided that the member continues to hold those positions without any break in service. However, any **new** concurrently held position begun *after* May 21, 2010, **will not** qualify for service credit or the compensation base for pension contributions and calculation of retirement for **any** PERS or TPAF multiple member.

CLOSURE OF THE PROSECUTORS PART OF THE PERS

Chapter 1, P.L. 2010, closes the Prosecutors Part of the PERS to new members. Prosecutors taking office *after* May 21, 2010, will be enrolled as “regular” Tier 4 members of the PERS — except that a county prosecutor who is appointed by the Governor with the advice and consent of the Senate will be enrolled in the DCRP (or regular PERS if a Tier 1 member continuously since July 1, 2007).

Prosecutors who were enrolled in the Prosecutors Part of the PERS between its opening in 2001 and its closure on May 21, 2010, will be permitted to continue as members of the Prosecutors Part and receive Prosecutors Part benefits, provided that they continue in eligible Prosecutors Part service.

DEFINED CONTRIBUTION RETIREMENT PROGRAM

Chapter 1, P.L. 2010, increases the minimum annual salary required for eligibility in the Defined Contribution Retirement Program (DCRP) to \$5,000.

An employee who is ineligible for the PERS or TPAF because the hours of work are fewer than those required for membership (or a Tier 3 PERS or TPAF member whose annual salary falls below the minimum required for eligibility – \$7,700 for 2010) is eligible for enrollment in the DCRP provided the annual salary is \$5,000 or higher.

NON-FORFEITABLE RIGHTS

Chapter 1, P.L. 2010, eliminates the five-year “non-forfeitable right to receive benefits” for employees enrolled in any New Jersey State-administered retirement system *after* May 21, 2010.

This provision of Chapter 1 also applies to retirees of a State-administered retirement system who return to covered employment *after* May 21, 2010, with the same retirement system (except for disability retirees approved for return to active employment).

For Tier 1, Tier 2, or Tier 3 members the five-year “non-forfeitable right to receive benefits” is maintained if you transfer (see the information below regarding transfers).

TRANSFER OF TIER 1, TIER 2, AND TIER 3 MEMBERSHIPS AND RETURN TO EMPLOYMENT FROM RETIREMENT

Chapter 1, P.L. 2010, provides that an employee enrolled as a Tier 1, Tier 2, or Tier 3 member of the PERS or TPAF who transfers employment within the PERS or TPAF, or from the PERS to the TPAF (or TPAF to PERS), will retain his or her original Tier 1, Tier

2, or Tier 3 status provided that there has not been a break in membership (two years or more without a pension contribution and/or the member has not withdrawn his or her PERS or TPAF account).

If there has been a break in membership, the member has withdrawn his or her account, **or** the member is a PERS or TPAF *retiree* who is returning to PERS or TPAF covered employment (except for disability retirees approved for return to active employment), upon meeting the eligibility requirements, the member will be enrolled as a Tier 4 member of the PERS or TPAF and be regarded as a new enrollee; whereupon, the provisions of Chapter 1, P.L. 2010, will apply.

ADDITIONAL INFORMATION

This letter is intended to provide employers with a general overview of the changes put into place by Chapter 1, P.L. 2010. Additional administrative information will become available as the Division of Pensions and Benefits completes the procedural and programming changes needed to implement the provisions of this legislation.

When available, revised publications and forms will be posted to the Division of Pensions and Benefits Web site at: www.state.nj.us/treasury/pensions

If you have general questions regarding Chapter 1, P.L. 2010, or any of the information provided in this letter, contact the Division's Office of Client Services at (609) 292-7524, or e-mail the Division at: pensions.nj@treas.state.nj.us