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April 9, 2010

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

FROM: Florence J. Sheppard 
Deputy Director, Benefit Operations

SUBJECT: Chapter 3, P.L. 2010 — Disability Benefit Changes to the Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF)

Governor Christie recently signed into law **Chapter 3, P.L. 2010**. Among the provisions of this law are changes to the State-administered retirement systems. This letter addresses the changes to disability retirement benefits for members of the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF). **Chapter 3, P.L. 2010 is effective May 21, 2010.**

PERS AND TPAF DISABILITY BENEFITS

Chapter 3, P.L. 2010, *eliminates* Ordinary and Accidental Disability Retirement benefits for PERS or TPAF members enrolled *after* May 21, 2010 (Tier 4 membership¹). In its place, Chapter 3 establishes **disability insurance coverage** for PERS and TPAF Tier 4 members who become disabled due to an occupational or nonoccupational condition.

Disability Insurance Coverage

Disability insurance coverage will provide monthly income if a member becomes totally disabled from occupational or nonoccupational causes due to sickness or accidental bodily injury.

- The member must be unable to perform any and every duty pertaining to his/her occupation;
- The member need not be confined to home, but must be under a doctor's regular care;
- The disability benefit shall be in an amount equal to 60 percent of the member's base monthly salary, reduced by any periodic benefits to which the member may be entitled during the period of total disability;

¹ **Membership Tier 4** of the PERS and TPAF is established for the administration of changes to eligibility and retirement under Chapter 1, P.L. 2010, and Chapter 3, P.L. 2010. Information about Chapter 1, P.L. 2010, is available in the Certifying Officer Letter dated April 1, 2010.

- Eighteen months after the onset of long-term disability eligibility, the member must be unable to engage in any gainful employment for which he or she is reasonably suited by education, training, or experience;
- Total disability shall not be considered to exist if the member is gainfully employed;
- While disabled, the member's mandatory pension contributions are automatically credited to the member's retirement account;
- Disability insurance benefits terminate when the member is no longer considered totally disabled, attains age 70, or begins to receive retirement benefits.

Complete details regarding the disability insurance will be made available to employers and members as the Division of Pensions and Benefits moves toward the coverage implementation date on May 22, 2010.

Note: Ordinary and Accidental Disability Retirement benefits remain available to PERS and TPAF members enrolled *on or before* May 21, 2010, in Tiers 1, 2, or 3. See Fact Sheet #15, *Disability Retirement Benefits (PERS & TPAF)*, for details.

OTHER PROVISIONS OF THE LAW

Please note that while Chapter 3, P.L. 2010, also changes public employee benefits regarding payment of unused sick leave, the carry-over of unused vacation leave, and sick leave for injury while in State service, these changes are not discussed in this letter because the programs are not administered by the Division of Pensions and Benefits.

ADDITIONAL INFORMATION

This letter is intended to provide employers with a general overview of the pension changes established by Chapter 3, 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 3, 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