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***FREQUENTLY ASKED QUESTIONS REGARDING PROVISIONS OF
CHAPTER 78, P.L. 2011 FOR TPAF AND PERS MEMBERS***

PENSION CONTRIBUTION RATE CHANGES

1. Q. What is the new rate that District employees will have to pay for pension contributions?

A. Employee pension contribution rates will increase by 1% from 5.5% to **6.5%** of salary under the provisions of Chapter 78, P.L. 2011 for PERS and TPAF members.

2. Q. What is the effective date of the pension contribution rate increase?

A. The pension contribution rate increase to **6.5%** is effective October 1, 2011. Therefore, the rate increase will begin on the **October 14, 2011** pay check.

3. Q. Which Pension Funds offered by the District are affected by the pension contribution rate increase?

A. These changes are specific to the Public Employees' Retirement System (**PERS**) and the Teachers' Pension and Annuity Fund (**TPAF**).

NOTE: The Board of Education Employees' Pension Fund of Essex County is not subject to any of the changes that the state-administered pension funds must adhere to.

4. Q. What is the Second Phase of the pension contribution rate increase?

A. The Second Phase of the contribution rate increase from 6.5% to 7.5% is to be phased in equally over a 7-year period beginning July 2012. The contribution rate will increase by 0.14% each year with the first payroll of July 2012 until the 7.5% contribution rate is reached in July 2018.

FREQUENTLY ASKED QUESTIONS REGARDING PROVISIONS OF CHAPTER 78, P.L. 2011 FOR TPAF AND PERS MEMBERS

5. **Q. Will this rate increase affect the interest rates applied for pension loans and for the Purchase of service credit?**
- A. The increase in the PERS or TPAF employee pension contribution rate will also increase the minimum repayment amount for pension loans or the cost for a purchase of service credit if certified after the employee's increased contribution becomes effective.

TIER 5

TPAF AND PERS MEMBERSHIP TIER 5 ENROLLMENT REQUIREMENTS

1. **Q. What is the effective date for new hires to be enrolled under Tier 5?**
- A. All Local Education Employees hired on or **after June 28, 2011** are eligible for enrollment under Tier 5 in TPAF or PERS if they work a minimum of 32 hours per week.
2. **Q. Is there a minimum salary requirement?**
- A. There is **no minimum salary requirement** as long as the employee works a minimum of 32 hours per week. However employees who work less than 32 hours per week, but earn a base salary of at least \$5,000.00, will be enrolled in the Defined Contribution Retirement Program (DCRP).
3. **Q. What is the Social Security maximum wage for TPAF and PERS members?**
- A. TPAF and PERS salaries are limited to the **social security maximum wage of \$106,800.00 for 2011**. Therefore employees will be deducted 6.5% of their contractual base salary up to \$106,800.00. TPAF members who have salaries over the maximum wage limit are eligible to participate in the DCRP.
4. **Q. What is the DCRP?**
- A. The Defined Contribution Retirement Program (DCRP) provides eligible members with a tax-sheltered defined contribution, a retirement benefit, life insurance and disability coverage. Additional income will be available in retirement based on contributions from salary above the maximum compensation limit invested in the DCRP. For more information, see Fact Sheet #79 at the following link: <http://www.state.nj.us/treasury/pensions/epbam/exhibits/factsheets/fact79.pdf>

**FREQUENTLY ASKED QUESTIONS REGARDING PROVISIONS OF
CHAPTER 78, P.L. 2011 FOR TPAF AND PERS MEMBERS**

TPAF AND PERS MEMBERSHIP TIER 5 RETIREMENT REQUIREMENTS

1. Q. What are the changes to the Retirement Requirements for TPAF and PERS Tier 5 members?

A. The following changes were made to retirement benefits for PERS and TPAF Tier 5 members:

TIER 5	MINIMUM AGE	CALCULATION OF ANNUAL BENEFIT	VESTING # OF YEARS	YEARS OF SERVICE REQUIRED
SERVICE RETIREMENT	65	YEARS OF SERVICE /60 X FINAL AVERAGE SALARY (5 YEARS)	10	NO MINIMUM # of YEARS REQUIRED
DEFERRED RETIREMENT	65	YEARS OF SERVICE /60 X FINAL AVERAGE SALARY (5 YEARS)	10	10
EARLY RETIREMENT	NO MINIMUM AGE REQUIRED BUT BENEFIT IS REDUCED 3% FOR EACH YEAR UNDER AGE 65	YEARS OF SERVICE /60 X FINAL AVERAGE SALARY (5 YEARS)	N/A	30
VETERAN RETIREMENT	NO CHANGES	NO CHANGES	NO CHANGES	NO CHANGES
ORDINARY DISABILITY RETIREMENT	NOT AVAILABLE FOR TIERS 4 AND 5	MAY BE ELIGIBLE FOR DISABILITY INDURANCE COVERAGE	N/A	1
ACCIDENTAL DISABILITY RETIREMENT	NOT AVAILABLE FOR TIERS 4 AND 5	MAY BE ELIGIBLE FOR DISABILITY INDURANCE COVERAGE	N/A	1

If you would like to view the chart listing PERS and TPAF Retirement Benefits by membership Tier, please open the following link for further information:

<http://www.state.nj.us/treasury/pensions/pdf/sc0853-pers-tpaf-tier-chart.pdf>

If you have general questions regarding Chapter 78, P.L. 2011, or any of the information provided you can contact the Division's Employer Education Unit at (609) 292-7524, or e-mail the Division at:

pensions.nj@treas.state.nj.us.