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Memorandum

To: The Newark Public Schools District Employees

From: Karen Uqdah
Manager Benefits & Compensation

Date: September 16, 2011

Subject: **Recent Changes to State Pension & Health Benefits effective 10/01/2011**

This communication is being sent to all Newark Public Schools employees to inform them of the changes to the state administered pension system and also the School Employee Health Benefits Program (SEHBP). Governor Christie recently signed **Chapter 78, P.L. 2011**, into law which implements important changes to the State-administered retirement systems. **Chapter 78, P.L. 2011 became effective June 28, 2011.**

PERS AND TPAF EMPLOYEE CONTRIBUTION RATES:

Under the provisions of Chapter 78, P.L. 2011, PERS and TPAF employee pension contribution rates will increase from 5.5% to **6.5%** of salary. The initial increase is effective October 1, 2011 and will be reflected on the pay date of October 14, 2011. An *additional* increase to be phased in over the next 7 years will bring the total pension contribution rate to **7.5%** of salary. **For example**, 6.64% in July 2012, 6.78% in July 2013, 6.92% in July 2014, etc. until it reaches 7.5% in 2018.

PENSION LOANS:

The increase in the PERS or TPAF employee 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.

NEW PERS AND TPAF MEMBERSHIP TIER:

Tier 5 Membership — Chapter 78 establishes new retirement criteria for employees enrolled in the PERS or TPAF *on or after* June 28, 2011. The new category of membership will be referenced in the Division's publications as **Tier 5 Membership** (<http://www.state.nj.us/treasury/pensions/>). The Service Retirement age for PERS or TPAF **Tier 5** members is *increased to age 65*. The Service Retirement formula is:

$$\text{The Annual Benefit} = \text{Years of Service} / 60 \times \text{Final Average Salary}$$

TRANSFER OF PERS OR TPAF MEMBERSHIP AND RETURN TO EMPLOYMENT FROM RETIREMENT:

A PERS or TPAF member enrolled **before** June 28, 2011, who transfers employment within the PERS or TPAF, respectively, will retain his or her original membership tier 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there has not been a break in membership (two years or more without a pension contribution and/or the member has not withdrawn his or her PERS or TPAF account).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 regarded as a *new* enrollee; whereupon, the provisions of Chapter 78, P.L. 2011, will apply and **the employee will be reenrolled in the PERS or TPAF membership tier in effect at the time of reenrollment (currently Membership Tier 5).**

COLA SUSPENDED FOR ALL RETIREES:

Under a provision of Chapter 78, P.L. 2011, **Cost-of-Living Adjustments (COLA), are suspended** for all current and future retirees of all retirement systems - including the PERS and TPAF. There is no reduction to any COLA increases that were already added to retiree benefits prior to the effective date of the law.

PLEASE NOTE: MEMBERS OF THE BOARD OF EDUCATION EMPLOYEES' PENSION FUND OF ESSEX COUNTY ARE NOT SUBJECT TO THE PENSION RELATED CHANGES REFLECTED IN THE PROVISIONS OF CHAPTER 78, P.L. 2011.

CHANGES TO MAJOR HEALTH BENEFIT PROVISIONS OF CHAPTER 78, P.L. 2011.

HEALTH BENEFIT REFORM PROVISIONS:

School Employees' Health Benefits Program (SEHBP): Sets new health benefit contribution amounts towards the cost of employee coverage. All public employees will be required to contribute a **certain percentage** of their health benefit premiums. The percentage rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period with a minimum contribution required to be *at least* 1.5% of salary.

Under the provisions of Chapter 78, the new contribution for health benefits is effective immediately for employees whose current contract has expired and employees not covered by a union contract; however the legislation anticipated that some administrative delay would be unavoidable while payroll systems are modified to accommodate the new contribution requirements.

New plans are anticipated to be available during *Open Enrollment* in the Fall of 2011, with an effective date of coverage beginning January 1, 2012.

Contributions toward health benefits in retirement will be based on the provisions of the law and the member's attainment of 25 years of service credit after the effective date of the law.

We will continue to update information to you as needed.

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Union Officials