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July 1, 2011

**TO:** Certifying Officers of the State-Administered Retirement Systems for State Employees paid through the State Centralized Payroll Unit

**FROM:** Florence J. Sheppard, Acting Director  
Division of Pensions and Benefits

**SUBJECT: Contribution Rate Changes Under Chapter 78, P.L. 2011**

This letter contains information about **changes to employee pension contribution rates** under the provisions of Chapter 78, P.L. 2011.

Information about other benefit changes under Chapter 78 — including retirement ages, benefit formulas, or changes to employee health benefits — will be provided through separate correspondence.

### EMPLOYEE CONTRIBUTION RATE CHANGES

Under the provisions of Chapter 78, P.L. 2011, employee pension contribution rates will be adjusted by the following amounts:

- **For Public Employees' Retirement System (PERS) and Teachers' Pension and Annuity Fund (TPAF) members** the employee pension contribution rate will increase from 5.5% to **6.5%** of salary. An additional increase to be phased over the next 7 years will bring the total pension contribution rate to 7.5% of salary.
- **For PERS Prosecutors Part members** the employee pension contribution rate will increase from 8.5% to **10%** of salary.
- **For Police and Firemen's Retirement System (PFRS) members** the employee pension contribution rate will increase from 8.5% to **10%** of salary.
- **For State Police Retirement System (SPRS) members** the employee pension contribution rate will increase from 7.5% to **9%** of salary.
- **For Judicial Retirement System (JRS) members** the employee pension contribution rate will see a phased increase of an additional 9% of salary over 7 years.

**Note:** An increase in the member 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 member's effective date of change.

## EMPLOYER IMPLEMENTATION

**Chapter 78 provides for the increases to be implemented in two phases.** Employers should take whatever actions are necessary to apply the new contribution percentages to employee payroll within the indicated time frames.

**The first phase** applies to all employees who are members of PERS, TPAF, PFRS, SPRS, and JRS employed in all covered service including:

- State employees;
- Employees of an independent State authority, board, commission, corporation, agency, or organization;
- Employees of a board or commission under the authority of the Commissioner of Education or of the State Board of Education;
- Employees of a State public institution of higher education;
- Employees of Counties, Municipalities, and other local employers; and
- Teachers and other employees of a local school district, regional school district, county vocational school district, county special services school district, jointure commission, educational services commission, State-operated school district, charter school, or county college.

**For State employees paid through the State Centralized Payroll Unit and State Colleges and Universities reporting on a biweekly payroll schedule**, the increase is effective with Pay Period #21 (begins September 24, 2011 and reflected in the October 14, 2011 check date).

**For all other employees**, the increase is effective with the first payroll amount to be paid *on or after* October 1, 2011 (which is reported to the Division of Pensions and Benefits as compensation during the 4th calendar quarter of 2011).

**The second phase** applies to PERS, TPAF, and JRS members:

- **For PERS and TPAF members**, the employee contribution increase from 6.5% to **7.5%** 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 until the 7.5% contribution rate is reached in July 2018.

*\*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.*

- **For JRS members** the employee pension contribution rate will see a phased increase of an *additional 9%* of salary over 7 years beginning October 2011\*\*. Subsequently, the contribution rate will increase by 1.28% each year with the first payroll of July until the additional 9% contribution rate is reached in July 2017.

*\*\*The increase in JRS pension contributions will be calculated in one of two different ways depending upon when an individual was enrolled into the JRS*

- *For JRS members enrolled into the retirement system on or after January 1, 1996, the initial increase in October to the pension contribution will be calculated at a rate of 4.28% of all compensation. That rate will increase by 1.28% with the first payroll of July 2012 and each first payroll in July thereafter until a total rate of 12% is reached in July 2017.*
- *For JRS members enrolled into the retirement system before January 1, 1996, the initial increase in October to the pension contribution will be calculated separately using one rate for the salary of that member's current position as of January 18, 1982, and a separate rate for the balance of the member's compensation in excess of that January 18, 1982, compensation. The rate applied to the compensation equal to the member's current position as of January 18, 1982, will be phased in 9% contribution only. The rate applied to the excess of that January 18, 1982, compensation will be 3% plus the phased in 9% contribution. So, beginning in October 2011, the rates for this group will be 1.28% for the compensation equal to the member's current position as of January 18, 1982, and 4.28% on any compensation exceeding that January 18, 1982, compensation.*

#### **ADDITIONAL INFORMATION**

If you have questions regarding the information provided in this letter, contact the Division's Employer Education Unit at (609) 292-7524, or e-mail the Division at: [pensions.nj@treas.state.nj.us](mailto:pensions.nj@treas.state.nj.us)