

DEFINED CONTRIBUTION RETIREMENT PROGRAM (DCRP)

For PERS and TPAF Members

The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and expanded under the provisions of Chapter 89, P.L. 2008,

The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage.

ELIGIBILITY

Individuals eligible for membership in the DCRP include:

- **State or local officials** who are elected or appointed *on or after* July 1, 2007;
- **Employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF)** *on or after* July 1, 2007, who earn salary *in excess of* established "maximum compensation" limits; and
- **Employees otherwise eligible to enroll in the PERS or TPAF** *on or after* November 2, 2008, who do not earn the minimum annual salary for PERS or TPAF Membership Tier 3 enrollment (\$7,500 in 2009, subject to adjustment in future years) but who earn salary of at least \$1,500 annually.) For an explanation of the membership tiers visit our Web site at: www.state.nj.us/treasury/pensions

This fact sheet addresses DCRP membership for employees enrolled in the PERS or TPAF.

- Elected or appointed officials should refer to Fact Sheet #80, *DCRP for Elected and Appointed Officials*.
- Employees eligible for the DCRP because they do not meet the minimum salary for the PERS or TPAF should refer to Fact Sheet #82, *DCRP if Ineligible for the PERS or TPAF*.

Employees *enrolled* in the PERS or TPAF *on or after* July 1, 2007 are subject to a maximum compensation limit for PERS and TPAF pension contributions.

The maximum compensation is based on the annual maximum wage for Social Security (see chart below) and is subject to change at the start of each calendar year.

PERS/TPAF ANNUAL MAXIMUM WAGE	
YEAR	MAXIMUM WAGE
2007	\$97,500
2008	\$102,000
2009	\$106,800

Therefore, an employee enrolled in the PERS or TPAF on or after July 1, 2007 who earns in excess of the annual maximum wage will be enrolled in the DCRP — *in addition to* the PERS or TPAF.

- PERS or TPAF members who also participate in the DCRP will receive service credit in their PERS or TPAF account, and will be eligible to retire under the rules of the PERS or TPAF — with the final salary at retirement limited to the maximum compensation amounts in effect when the salary is earned.
- At retirement, additional income will be available to the member based on contributions from salary above the maximum compensation limit invested in the DCRP.

Optional Waiver

A PERS or TPAF member who is also eligible for the DCRP can choose to voluntarily waive participation in the DCRP by submitting a *DCRP Waiver Form* to the Division of Pensions and Benefits.

If a PERS or TPAF member waives DCRP participation and later wishes to participate, he or she can apply for DCRP enrollment at that time, with membership to be effective January 1 of the following calendar year.

ENROLLMENT

Eligible PERS or TPAF members are enrolled in the

DCRP when the annual salary exceeds the maximum compensation limit. This may occur either:

- Upon enrollment into the PERS or TPAF when an annual base salary is reported on the *Enrollment Application* that will exceed the maximum compensation; or
- When a PERS or TPAF member's annual salary is increased to where it will exceed the maximum compensation and it is reported by the employer to the Division of Pensions and Benefits (either by directly contacting the Division, or when submitted by the employer on the Quarterly Report of Contributions).

When enrolled in the DCRP, members contribute 5.5% of the base salary in excess of the maximum compensation limit to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP investments with the Division of Pensions and Benefits. Member contributions are matched by a 3% employer contribution based on the salary in excess of the maximum compensation limit.

It is important that an employer enroll a DCRP eligible PERS or TPAF member as soon as it is known that the employee's annual salary will exceed the maximum compensation, so that the DCRP account can be established in advance of collection of any required contributions.

Transfers

Employees who transfer into the PERS or TPAF on or after July 1, 2007 will not be subject to maximum compensation limits or DCRP enrollment if the employee was a member of the PERS or TPAF on or before June 30, 2007 **and** any of the following situations apply:

- The member is transferring to a PERS or TPAF eligible position without a break in service; or
- Any break in service is 24 months or less from the date of the last PERS or TPAF pension contribution and the account has not been withdrawn.; or Any break in service is 24 months or less from the end of an approved leave of absence.

If a member transfers into the PERS or TPAF after a

break in service that falls beyond the 24 month exceptions described above, the member will be subject to the maximum compensation rules and DCRP enrollment.

Vesting

A PERS or TPAF member who becomes eligible and is enrolled in the DCRP is immediately vested in the DCRP. As a vested member, you have a right to a benefit at retirement based on both the employee and employer contributions to the DCRP.

RETIREMENT

Six months before retirement, a member should contact the employer and Prudential Financial for information regarding DCRP benefits and options.

A DCRP member may elect to receive all or a portion of his/her account in a lump-sum distribution, or in a variety of periodic payment methods. Please contact your administrative services provider for more information. **All returns of contributions and earnings are considered taxable in the year they are received;** therefore, the type of payout plan should be considered carefully prior to retirement.

There is no minimum retirement age under the DCRP. The member will automatically be considered retired, regardless of age, if there is any distribution of mandatory contributions.

A member may take a distribution at any time after termination of employment; however, if you return to public employment in New Jersey, you cannot participate in any State-administered retirement system.

Health Benefits at Retirement

Please note that service time from enrollment in the DCRP cannot be used to qualify for State Health Benefits Program (SHBP) coverage at retirement; however, PERS or TPAF members who also participate in the DCRP through earnings in excess of the maximum wage will continue to earn credit toward SHBP coverage, if eligible at retirement, through their PERS or TPAF service.

Please contact your employer's human resources office or benefits administrator to ask about health benefit coverage options available in retirement.

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LIFE INSURANCE COVERAGE

While employed, a PERS or TPAF member enrolled in the DCRP is covered by employer-paid life insurance, payable to their designated beneficiaries in the amount of 1½ times the annual base salary on which DCRP contributions were based. This coverage is available without a medical examination to members under age 60. Newly enrolled members 60 years of age or older must undergo a medical examination to qualify.

DCRP members will continue to be insured for up to two years if on an approved leave of absence without pay for personal illness.

Note: The Internal Revenue Service classifies all life insurance coverage over \$50,000 as a fringe benefit subject to taxation. The amount of the life insurance coverage is not taxable, but the premium required to pay for the life insurance coverage is taxable. Members can elect to waive insurance coverage over \$50,000 at any time. For more information on this topic, see Fact Sheet #22, *Waiver of Non-Contributory Group Life Insurance over \$50,000*.

Upon retirement, life insurance under the DCRP reduces to 3/16 of the annual base salary on which DCRP contributions were based. This life insurance coverage is available in retirement only to:

- PERS or TPAF members enrolled in the DCRP who are age 60 or older if the member has completed 10 years of participation in the DCRP, PERS, or TPAF;
- PERS or TPAF members enrolled in the DCRP who are any age if the member has completed 25 years of participation in the DCRP, PERS, or TPAF.

The member must also have been an active employee in the twelve months immediately preceding the initial receipt of a retirement annuity payment.

LONG-TERM DISABILITY COVERAGE

A member is eligible for employer-paid long-term disability insurance coverage after one year of participation in the DCRP.

The member becomes eligible for the disability benefit after six consecutive months of total disability due to an occupational or nonoccupational condition.

To be considered totally disabled 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.

If a member is totally disabled, the member is eligible to receive a regular monthly income benefit up to 60% of the base salary on which DCRP contributions were based during the 12 months preceding the onset of the disability. While disabled, the member's and the employer's mandatory contributions are automatically credited to the member's retirement account.

The monthly income benefit is offset by any other periodic benefit the member may be receiving, such as Workers' Compensation, short-term disability, or Social Security.

Eighteen months after the onset of long-term disability eligibility, the member must be unable to engage in any gainful occupation for which he/she is reasonably suited by education, training, or experience. Total disability is not considered to exist if the member is gainfully employed, incarcerated, or if the disability resulted from an act of war, or was intentionally self-inflicted.

Long-term disability benefits will be paid as long as the member remains disabled or until the member attains age 70. Should the member begin receiving payments under the retirement annuity, these benefits terminate.

This fact sheet has been produced and distributed by:

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This fact sheet is a summary and not intended to provide total information.

Although every attempt at accuracy is made, it cannot be guaranteed.
