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**A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS**


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## DEFINED CONTRIBUTION RETIREMENT PROGRAM (DCRP) IF INELIGIBLE FOR PERS OR TPAF

For Employees Below the Minimum Salary Required for the PERS or TPAF

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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 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, see "Transfer of PERS or TPAF Membership" on page 2

**This fact sheet addresses DCRP membership for employees who do not earn the minimum salary required for enrollment in the PERS or TPAF.**

Employees who are already enrolled in the PERS or TPAF should refer to Fact Sheet #79, *DCRP for PERS and TPAF Members*.

Elected and appointed officials should refer to Fact Sheet #80, *DCRP for Elected and Appointed Officials*.

Chapter 89, P.L. 2008, established a new minimum base salary requirement for eligibility for enrollment in the PERS or TPAF. Employees hired on or after November 2, 2008, must earn a minimum base salary of \$7,500\* or more per year to be eligible for enrollment in **Tier 3 membership** of the PERS or TPAF.

Under Chapter 89, any employee otherwise eligible to enroll in Tier 3 of the PERS or TPAF who does not earn the required minimum annual salary, but earns a minimum base salary of \$1,500 or more, is eligible for enrollment in the DCRP.

### Optional Waiver

If the DCRP eligible employee will earn less than \$5,000 annually, the employee may choose to waive participation in the DCRP for that position by submitting a *DCRP Waiver Form* to the Division of Pensions and Benefits. However, the decision to waive participation in the DCRP is **irrevocable** for that position, and an employee who waives participation cannot later choose to enroll based on that same position. If an employee waives participation in DCRP, it will not affect his/her future enrollment options under a new position.

### ENROLLMENT

The employer is responsible for enrolling a DCRP eligible employee as of the starting date of employment — by using the online *DCRP Enrollment Application* available on the Employer Pensions and Benefits Connection (EPIC).

When enrolled in the DCRP, members contribute 5.5% of the base salary to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP

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*\*The minimum base salary amount is subject to adjustment annually in accordance with changes in the Consumer Price Index (for 2008 and 2009 the minimum base salary is \$7,500 per year).*

investments with the Division of Pensions and Benefits. Member contributions are matched by a 3% employer contribution.

### **Vesting**

An employee who is 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.

### **If Later Eligible for the PERS or TPAF**

**If an employee enrolled in the DCRP earns sufficient salary at a later date to qualify for enrollment in the PERS or TPAF, the employee will be enrolled in the PERS or TPAF.**

Upon becoming a PERS or TPAF member, contributions to the DCRP under Chapter 89 will cease; however, prior contributions remain invested in the DCRP pending retirement or termination of employment.

Contributions to the DCRP cannot be transferred to the PERS or TPAF, and service credit as a DCRP member is not eligible for purchase of service credit.

A PERS or TPAF employee may once again become eligible for the DCRP if:

- The annual salary falls *below* the minimum salary required for PERS or TPAF membership; deductions will cease and members will contribute to the DCRP plan.
- The annual salary *is in excess of* the “maximum compensation” limit (those enrolled in the PERS or TPAF on or after July 1, 2007 ) under Chapter 103, P.L. 2007 — see Fact Sheet #79, *DCRP for PERS and TPAF Members*; or
- The employee becomes a State or local elected or appointed official — see Fact Sheet #80, *DCRP for Elected and Appointed Officials*.

### **Transfer of PERS or TPAF Membership**

Employees who are PERS or TPAF members and transfer to another PERS or TPAF position are subject to the minimum salary of their existing PERS or

TPAF Membership Tier if 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 consecutive 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 consecutive months or less from the end of an approved leave of absence.
- You lose your job through no fault of your own (laid off or your position is abolished — not terminated voluntarily or for cause) and you return to PERS or TPAF employment within 10 years of your termination date.

If the exceptions described above apply, the PERS or TPAF membership tier minimum salary requirements apply as follows.

- **Membership Tier 1:** Members who enrolled *prior to* July 1, 2007 — the minimum base salary requirement for enrollment is \$1,500 per year for the PERS and \$500 for the TPAF.
- **Membership Tier 2:** Members who were eligible to enroll on or after July 1, 2007 and *prior to* November 2, 2008 — the minimum base salary requirement for enrollment is \$1,500 per year for the PERS and \$500 for the TPAF.
- **Membership Tier 3:** Members who were eligible to enroll *on or after* November 2, 2008 — the minimum base salary requirement for PERS or TPAF enrollment is \$7,500 per year (subject to adjustment in future years).

If a member transfers into the PERS or TPAF after a break in service that *falls beyond* the exceptions described above, **the member will be subject to the Tier 3 minimum salary** regardless of the previous membership tier status.

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If the salary falls below the Tier 3 minimum requirement, the employee will be ineligible for transfer in the PERS or TPAF but will be eligible for DCRP enrollment if the annual salary is at least \$1,500.

### **PERS and TPAF Maximum Wage**

In addition Tier 2 and Tier 3 members are subject to a maximum wage limit for PERS or TPAF pension contributions, which is subject to adjustment annually. Currently, the maximum wage limit for 2009 is \$106,800. Tier 2 and Tier 3 members who earn in excess of the annual maximum wage will be enrolled in the DCRP — in addition to the PERS or TPAF. See Fact Sheet #79, *Defined Contribution Retirement Program for PERS and TPAF Members*, for more information.

## **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. However, lump-sum cash distributions to members under the age of 55 are limited to the member's contributions and earnings. The remaining employer contributions and earnings are only available after age 55.

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) or School Employees'

Health Benefits Program (SEHBP) coverage at retirement.

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

## **LIFE INSURANCE COVERAGE**

While employed, a DCRP member is covered by employer-paid life insurance, payable to 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.

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:

- Members age 60 or older if the member has completed 10 years of participation in the DCRP;
- Members of any age if the member has completed 25 years of participation in the DCRP.

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.

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