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July 1, 2011

TO: Local Government and Local Board of Education Certifying Officers for
All State-Administered Retirement Systems

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 increased 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.

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 and PFRS, 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 Local Government employees, Local Board of Education employees, and State employees who are not paid through the State Centralized Payroll Unit or not reported on a biweekly payroll schedule, 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 of the employee contribution increase from 6.5% to **7.5%** applies to PERS and TPAF members. This increase 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 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. The final increase in July 2018 will be 0.16% to reach 7.5%.*

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