Defined Contribution Retirement Program (DCRP) for Elected and Appointed Officials

Information for:
Elected and Appointed Officials

The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of N.J.S.A. 43:15C-1 et seq. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and long-term disability coverage.

ELIGIBILITY

This fact sheet addresses DCRP membership for elected and appointed officials. Employees enrolled in the Public Employees' Retirement System (PERS), Teachers' Pension and Annuity Fund (TPAF), Police and Firemen's Retirement System (PFRS), or State Police Retirement System (SPRS) should refer to the *Defined Contribution Retirement Program (DCRP) Enrollment Due to Maximum Compensation Limits* Fact Sheet. Employees eligible for the DCRP because they do not meet the minimum salary or hours for the PERS or TPAF should refer to the *Defined Contribution Retirement Program (DCRP) if Ineligible for PERS or TPAF Enrollment* Fact Sheet. These fact sheets are available on our website at ***www.nj.gov/treasury/pensions***

State and local officials who are elected or appointed on or after July 1, 2007, are eligible for enrollment only in the DCRP.

- An elected official is any individual who holds a State or local (county, municipal, etc.) elected public office.
- Any individual appointed to an elected position is considered an elected official.
- A State appointee is any individual appointed by the Governor, including those requiring the advice and consent of the Senate, or pursuant to an appointment by the Governor, to serve at the pleasure of the Governor only during his or her term of office.
- A local appointee is any individual appointed by the Governor, including those requiring the advice and consent of the Senate, or an individual appointed in a substantially similar manner by the governing body of a local public entity (county, municipality, school board, etc.).

Elected Officials

- An elected official who was already enrolled in the PERS prior to July 1, 2007, based on an elected office, will remain a PERS member while continuing to serve in that elected office.
- A newly elected official will only be enrolled in the DCRP and cannot enroll in the PERS.
- Under N.J.S.A. 43:3C-3, a retired member of a New Jersey State-administered retirement system who is elected to public office may either continue to receive a retirement benefit from the former employment and would be ineligible for enrollment in the DCRP, or may suspend the retirement benefit from the former employment and enroll in the DCRP while serving in the elected office. Upon termination of the elected office, the retirement benefit from the former employment would be reinstated.

Appointed Officials

- A newly appointed official who does not have an existing PERS account will only be enrolled in the DCRP and cannot enroll in the PERS.
- An appointed official who was enrolled in PERS after July 1, 2007, will not be eligible to remain a PERS member while serving in the appointed position and must be enrolled in the DCRP.
- An appointed official who was already enrolled in the PERS prior to July 1, 2007, will remain a PERS member while serving in the appointed position.
- Similarly, a regular employee who was enrolled in the PERS prior to July 1, 2007, who is appointed — without a break in membership — to a DCRP-eligible position on or after July 1, 2007, will remain a PERS member while in the appointed position.
- An appointed official serving in a position that is otherwise eligible for membership in the TPAF, PFRS, SPRS, or Judicial Retirement System (JRS) will not be enrolled in the DCRP. In these instances, an application should be made to enroll in the other retirement system regardless of any former retirement system affiliations.
- If a retired member of another New Jersey State-administered retirement system is appointed to a DCRP-eligible position, the appointee may either continue to receive the retirement benefit from the former employment and

be ineligible for enrollment in the DCRP, or may suspend the retirement benefit from the former employment and enroll in the DCRP while in the appointed position. Upon termination of the appointed position, the retirement benefit from the former employment would be reinstated.

Note: Appointed titles that are ineligible for DCRP participation are: Certified Health Officer, Tax Assessor, Tax Collector, Municipal Planner, Chief Financial Officer, Registered Municipal Clerk, Construction Code Official, Licensed Uniform Subcode Inspector, Qualified Purchasing Agent, or Certified Public Works Manager.

ENROLLMENT

The employer is responsible for enrolling an eligible elected or appointed official as of the starting date in the elected or appointed office by submitting a *DCRP Enrollment Application for Elected or Appointed Officials* to the New Jersey Division of Pensions & Benefits (NJDPB) via the Employer Pensions and Benefits Information Connection (EPIC), available on our website.

Enrollment is required for eligible elected or appointed officials. Except for the specific circumstances previously described, there is no other option for waiver of DCRP enrollment.

When enrolled, the elected or appointed official contributes 5.5 percent of the base salary to a tax-deferred investment account established with Empower (formerly Prudential), which jointly administers the DCRP with the NJDPB. Member contributions are matched by a three percent employer contribution.

Contributions are required from the date of DCRP eligibility. If any back deductions are owed, employers must schedule and remit them to the DCRP.

Salary Requirements

A newly elected or appointed official must earn a minimum annual base salary of $5,000 to be eligible to participate in the DCRP.

Vesting

If a newly elected or appointed official has an existing DCRP account, or is a member of another New Jersey State-administered retirement system, or is age 65 or older, the official 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 a newly elected or appointed official does not qualify for immediate vesting in the DCRP, the employee and employer contributions are held during the initial year of membership, unless the official attains age 65 as an active member. Upon commencing the second year of DCRP membership, the member is fully vested.

WITHDRAWAL

Withdrawal occurs when a non-vested DCRP member separates from covered employment and submits a request to Empower for a withdrawal of contributions. Only the member's contributions are available for withdrawal — employer contributions are forfeited. After a withdrawal, the individual is eligible for re-enrollment in the DCRP, or enrollment in another New Jersey State-administered retirement system, upon return to covered employment.

RETIREMENT

Retirement occurs when a vested DCRP member separates from covered employment and elects to receive a distribution of funds containing both employer and employee contributions plus interest. This action deems the former participant as retired and, therefore, ineligible to re-enroll in the DCRP or participate in any other New Jersey State-administered retirement system.

The acknowledgment of retirement will occur when a member requests a full or partial withdrawal of funds from their DCRP account during the completion of Empower's online *Withdrawal Application* form.

Applying For Retirement

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

A DCRP member may elect to receive all or a portion of his or 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 vested 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 New Jersey State-administered retirement system. DCRP members considering future employment in a position covered by any of the New Jersey State-administered retirement systems should carefully consider this impact before requesting a distribution.

Health Benefits at Retirement

It is important to 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 serving in an elected or appointed office, DCRP members are covered by employer-paid life insurance, payable to their designated beneficiaries, in the amount of 1.5 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 (IRS) classifies all life insurance coverage over $50,000 as a fringe benefit subject to taxation. While the amount of the life insurance coverage is not taxable, 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.

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

The member must have been an active employee in the 12 months immediately preceding the initial receipt of a retirement annuity payment.

To update your Group Life Insurance beneficiaries, please complete the *Designation of Beneficiary – Alternate Benefit Program (ABP)/Defined Contribution Retirement Program (DCRP)* form available on our website.

To update the beneficiaries for your Empower account, please complete and submit any changes through Empower.

Conversion

Other than the retired insurance benefit previously described, life insurance coverage under the DCRP ceases 31 days after termination of employment. During the 31-day period following termination of employment, a member may convert existing group life insurance coverage (less any amount of coverage carried over into retirement) into an individual policy, without medical examination. For more information, see the *Conversion of Group Life Insurance* Fact Sheet.

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 long-term 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.

Totally disabled members are eligible to receive a regular monthly income benefit up to 60 percent 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 or 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. These benefits terminate if the member begins receiving payments under the retirement annuity.

CONTACTING THE DCRP

For more information regarding the DCRP, please visit Empower's DCRP website at: ***https://empower.com/njplans*** or call toll-free 866-657-3327.

This fact sheet has been produced and distributed by:

New Jersey Division of Pensions & Benefits
P.O. Box 295, Trenton, NJ 08625-0295

(609) 292-7524
For the hearing impaired: TRS 711 (609) 292-6683
www.nj.gov/treasury/pensions