

Governor Christie recently signed Chapter 78, P.L. 2011, into law which implements changes to the State-administered retirement systems. This addresses the changes specific to the Public Employees' Retirement System (PERS) Chapter 78, P.L. 2011 became effective June 28, 2011.

PERS EMPLOYEE CONTRIBUTION RATES

Under the provisions of Chapter 78, P.L. 2011, PERS employee pension contribution rates 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 State employees paid through the State Centralized Payroll Unit reporting on a biweekly payroll schedule**, the first phase of the increase to **6.5%** is to become effective with Pay Period #21 (begins September 24, 2011 and reflected in the October 14, 2011 check date).

- **The second phase of the contribution rate increase** from 6.5% to **7.5%** 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. until it reaches 7.5% in 2018.

The increase in the PERS employee 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 employee's increased contribution becomes effective.

PERS RETIREMENT

The following changes were made to *retirement benefits* for **PERS Tier 5 members (Staff hired after 5/28/2011)**:

Service Retirement — The Service Retirement age for PERS **Tier 5** members is *increased to age 65*. The Service Retirement formula is:

The Annual Benefit = Years of Service / **60** X Final Average Salary

Final Average Salary for a PERS **Tier 5** member is the same as that for a **Tier 4** member — the average salary for the **60 months** (50 months for employees with 10 month contracts) immediately preceding retirement **or** the five highest fiscal years (July - June) of salary.

Deferred Retirement — This type of retirement uses the Service Retirement age and formula (above).

Therefore, a PERS **Tier 5** member, with at least 10 years of service, who terminates covered employment and applies for a Deferred Retirement would become eligible to receive a benefit starting the 1st of the month after reaching **age 65**.

Early Retirement — Available to PERS **Tier 5** members who have *at least 30 years* of service credit.

The Early Retirement benefit uses the Service Retirement formula (above) but is permanently reduced by **3%** for each year (1/4 of 1% per month) that the Tier 5 member is *under* age **65** at the time of retirement.

Veteran Retirement — Chapter 78 did not make any changes to PERS Veteran Retirement. For more information about this type of retirement, see the *PERS Member Handbook*.

TRANSFER OF PERS MEMBERSHIP AND RETURN TO EMPLOYMENT FROM RETIREMENT

A PERS member enrolled *before* June 28, 2011, who transfers employment within the PERS will retain his or her original membership tier status provided that there has not been a break in membership (two years or more without a pension contribution and/or the member has not withdrawn his or her PERS account).

If there has been a break in membership, the member has withdrawn his or her account, **or** the member is a PERS *retiree* who is returning to PERS covered employment (except for disability retirees approved for return to active employment), upon meeting the eligibility requirements, the member will be regarded as a *new* enrollee; whereupon, the provisions of Chapter 78, P.L. 2011, will apply and *the employee will be reenrolled in the PERS membership tier in effect at the time of reenrollment (currently Membership Tier 5)*.